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AGRICULTURAL-FOOD POLICY REVIEW

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PREFACE

Significant changes in the economic and policy environment of the U.S. food and agricultural sector marked the period prior to the development of the Food and Agriculture Act of 1977. During the seventies, domestic markets for major agricultural commodities had become more closely linked with the world commodity markets. Farmers in the United States faced the added uncertainties of world weather and economic conditions and the potentially destabilizing policy changes by customer and competitor nations alike.

The world food crisis of the early seventies and its aftereffects, such as the uniting of food-deficit countries around the objectives of food security, brought the international dimensions of domestic food and agricultural policy into sharper focus. At home, attention again turned to the food aid programs and reports of program abuse, which brought the objectives of these programs under scrutiny. A growing awareness of the nutrition-health relationship, including concern with the quality of the food supply, added dimensions to the policy debate. These changes enlarged the scope of "agricultural policy" to "food and agricultural policy."

The 1977 act contains revisions of programs to reflect the changing dimensions of food and agricultural policy. In some instances, programs or concepts were introduced into the public debate over the act to respond to relatively new items on the policy agenda. The expiration of the Agriculture and Consumer Protection Act of 1973 and the Rice Production Act of 1975 afforded the opportunity to change major commodity programs significantly. The expiration of funding authorization for Public Law 480 and the Food Stamp Program opened the way for changes in foreign and domestic food assistance programs. The 95th Congress also addressed the organization and funding of agricultural research.

The legislative process resulted in a comprehensive act which encompassed issues spanning the agricultural and food economy. The 1977 act includes provisions allowing the Secretary of Agriculture considerable discretion in developing programs for a wide range of economic situations such as those which occurred in the early seventies. Sufficiency of the new measures and concepts remains to be determined as economic conditions change and as new policy problems develop.

PURPOSE OF THE REVIEW

National agricultural policy is commonly viewed as the composite of legislation and the administration of a variety of implementing programs. Improved public policy decisions result from increased understanding of the issues and the tradeoffs involved. A new farm bill will again be developed in 1981. To facilitate understanding of the issues likely to emerge in that debate, it appears a review of the debate and issues surrounding the 1977 act would be useful.

This publication reviews the development of the Nation's food and agricultural policy as embodied in the Food and Agriculture Act of 1977. Organized as a source book, it provides a background to understanding the food and agricultural policy process and the issues faced in the 1977 debate. The review also provides insight into the policy decision-making process that should help the reader understand how issues were resolved by inclusion of specific provisions within the act.

An earlier issue of *Agricultural-Food Policy Review*[1] presented analyses of issues then deemed likely to be considered during the debate on successor legislation to the Agriculture and Consumer Protection Act of 1973. This issue traces that debate, identifies the topics considered, and describes the process by which the 1977 act was developed. It also presents research questions raised by changes in food and agricultural programs.

[1] U.S. Department of Agriculture, Economic Research Service, *Agricultural-Food Policy Review,* ERS-AFPR-1, Washington, D.C., January 1977.

TOPICS COVERED

The food and agricultural sector has changed, as has the process by which food and agricultural policies are formulated. The author of the first article provides an overview of the international and national situation prior to the development of the 1977 act. He identifies major changes in the economic environment for agriculture, including changes in the financial condition of the farm sector, food prices, agricultural exports, and international food policy.

The author of the second article examines the Federal policy process followed in developing the Food and Agriculture Act of 1977. His presentation of the policy-shaping events of 1976 and of initial congressional and executive actions in 1977 helps explain the environment from which legislation emerged. He traces the forces influencing the course of legislative action through House and Senate hearings, markup and floor action, the congressional budget process, the work of the conference committee, and final congressional and executive actions. Each major congressional proposal had a unique legislative history. Proposals written by the House and Senate reflected the interests and objectives of members in each chamber.

The author of the third article presents specific alternatives and choices that the House and Senate committees faced in various stages of the deliberation and their resolution of major differences in the conference committee. He describes program alternatives and compromises made during development of the act.

The authors of the fourth, and final, article examine program tools in the 1977 act, and how these tools relate to policy issues such as income support levels, price variability, structural change in the agricultural sector, and development of an integrated national food policy. They consider potential problems which may arise during the time covered by the act, and they identify research needed on food and agricultural policy issues.

ACKNOWLEDGMENTS

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TRANSITION IN THE FOOD AND AGRICULTURAL SECTOR

By
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ABSTRACT

Prior to the early seventies, Government programs in the agricultural sector dealt mostly with the needs of the farmers. The economic and political events of the early and mid seventies compelled a reorientation in agricultural policy to meet the demands of a broader constituency. The Food and Agriculture Act of 1977 is the first major legislative response to this changed economic environment for agriculture and food and reflects a significant policy reorientation.

KEYWORDS: Agricultural and food policy, Government programs, economic transition, Food and Agriculture Act of 1977.

INTRODUCTION

International and domestic economic and political developments during the past decade have significantly altered U.S. agriculture and its role in world affairs. Concern that the world would be unable to meet its growing food needs, increased economic interdependence among nations, and upheavals in world commodity markets were important factors that signaled basic changes in the international economic environment. Domestically, this transition was characterized by food price inflation, a greatly increased role for agricultural exports in the Nation's balance of payments, severe disruptions in the livestock sector, and a slower growth in agricultural producitivity. These developments increased the complexity of those public policy issues confronting food and agricultural policy decisionmakers (*6,9*).[1] The role of agriculture in the economy of the Nation was radically and perhaps irrevocably altered (*3*).

This article discusses the major international and national dimensions of this transition that influenced the development of the Food and Agriculture Act of 1977, emphasizing especially the events after 1970.

INTERNATIONAL SETTING

Economic and policy events occurring outside the United States had an unprecedented impact on the U.S. food and agricultural sector during the seventies. The increased reliance on export markets as an expanding source of demand significantly changed the level and stability of the income of producers of major farm commodities. In response, the United States attempted to expand the international dimensions of its domestic commodity programs through a reorientation in farm policy.

However, rigid consumption patterns of major grain importers increased the impacts of shortfalls in world crop production in the domestic food and agricultural sector. Food prices rose substantially and the livestock sector experienced severe financial losses. The role of agricultural trade in the agricultural sector, in the U.S. economy, and in international affairs became a major policy issue.

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[1] Underscored numbers in parentheses refer to references listed at the end of this article.

INTERNATIONAL TRADE AND EXPORTS

The volume and value of world trade increased substantially in the seventies, reflecting greater interdependence among national economies. World trade more than doubled between 1966-70 and 1971-75. World agricultural trade increased somewhat less rapidly (table 1). The increased value of U.S. agricultural exports was primarily the result of an expansion in the worldwide demand for food and feedstuffs. U.S. grain exports increased 84 percent during 1967-76. Exports of oilseed products (primarily soybeans) grew 95 percent over the same period. Thus, the United States had become a dominant force in world markets for these agricultural commodities.

U.S. grain exports averaged about 40 million metric tons (mmt) annually during the sixties and into the early seventies (table 2). In 1972, however, grain exports increased substantially and maintained an annual average of about 76 mmt for 1972-76. This abrupt increase in demand outpaced production, and grain stocks quickly disappeared and remained low through the midseventies.

The domestic use of farm commodities increased 10 percent between 1967 and 1977, while exports rose 77 percent. Production increased only 22 percent, however. Cropland for export commodities increased from an average of 22 percent of the total in the sixties to 30 percent in the seventies, even though harvested area increased 14 percent. The proportion of U.S. corn production channeled into the export market doubled between 1972 and 1976 while the proportion of wheat rose from 40 to 60 percent.

The rapid and somewhat erratic expansion in grain exports was due to both short- and long-term factors. Among those of a more enduring nature were the improved incomes in both developed and developing countries and the corresponding desire to improve diets by greater consumption of cereals, oilseeds, and livestock. The devaluation of the dollar in the early seventies made U.S. agricultural products relatively cheaper for foreign consumers. These international economic developments facilitated domestic policy adjustments that would enhance the competitiveness of U.S. grain farmers in world trade.

The dramatic increase in grain exports in 1972 is often attributed to the worldwide shortfall in grain production and to national policies, most notably those of the USSR, the European Community (EC), Japan, Australia, and Canada, intended to protect domestic producers and consumers from the adverse impacts of unstable prices. In 1972, the United States was the only major grain exporter with sufficient grain stocks and production capacity to meet the demand in the USSR, the EC, Japan, and the developing countries—a demand that had become less responsive to price fluctuations.[2]

[2] Major importers and exporters attempt to stabilize internal prices by trade policies that control imports and/or exports and by storage. To the extent that internal prices are stabilized, demand for imports and supply of exports become increasingly inelastic. Variations in world supply and demand, as they influence trade, are not absorbed by countries pursuing these protectionist policies. Price impacts of these variations are transmitted elsewhere.

Table 1—Exports, total and agricultural, United States and world, 1951-78

Period	Total			Agricultural			Agriculture's share of total	
	World	U.S.	U.S. share	World	U.S.	U.S. share	World	U.S.
	Billion dollars		*Percent*	*Billion dollars*		*Percent*	*Percent*	
1951-55	84.82	15.20	17.9	26.80	3.30	12.3	31.6	21.7
1956-60	113.32	19.06	16.8	31.62	4.26	13.4	27.9	22.3
1961-65	157.52	23.76	15.1	38.67	5.64	14.6	24.5	23.7
1966-70	248.00	35.05	14.1	47.60	6.54	13.7	19.2	18.7
1971-75	608.70	73.22	12.0	96.91	15.73	16.2	15.9	21.5
1976[1]	988.95	113.13	11.4	142.08	22.99	16.1	14.4	20.3
1977[1]	1123.62	117.90	10.5	162.48	23.67	14.6	14.5	20.1
1978[2]	1308.74	141.15	10.8	190.00	29.41	15.5	14.5	20.8

[1] Preliminary.
[2] Estimate.
Source: Arthur B. Mackie. "Foreign Economic Growth, Foreign Aid, and Demand for U.S. Farm Products," *World Economic Conditions in Relation to Agricultural Trade,* WEC-12, Econ. Res. Serv., U.S. Dept. Agr., Aug. 1977.

Table 2—U.S. grain production, 1962-78

Year	Supply	Disappearance			Ending stocks
		Domestic	Exports	Total	
	Million metric tons				
1962	261.0	137.6	32.5	170.4	91.1
1963	262.6	135.7	39.7	175.4	87.6
1964	245.1	134.2	39.0	173.2	76.4
1965	256.4	150.0	48.6	198.6	58.2
1966	238.6	148.5	40.8	189.3	49.5
1967	253.5	149.8	41.2	191.0	62.7
1968	260.4	158.2	30.7	188.9	71.8
1969	272.8	165.2	35.1	200.3	72.9
1970	255.8	163.1	38.5	201.6	54.5
1971	288.1	174.6	40.5	215.1	73.4
1972	297.5	180.8	69.1	249.9	48.0
1973	281.3	176.9	73.6	250.5	31.1
1974	230.5	140.8	63.0	203.8	27.3
1975	270.1	153.8	81.4	235.2	35.4
1976	287.6	151.9	75.8	227.7	60.3
1977	317.7	160.4	85.1	245.5	72.5
1978	330.4	166.6	83.0	249.6	81.0

Source: U.S. Department of Agriculture, Foreign Agricultural Service.

POLICY UNCERTAINTY

Much of the debate on international trade and commodity policy during 1970-76 suggests that uncertainty caused by expanded global interdependence exerted new pressures either to protect the interests of domestic producers and consumers or to provide nations with the means to alleviate problems affecting national interests (*11*). Many countries had sought through unilateral measures to reduce the adverse impacts of market instability on domestic producers and consumers. To the extent they were able to do this, it shifted the burden of global scarcity or surplus to other countries.

Importers attempting to secure reliable sources of supplies and exporters attempting to stabilize export demand negotiated bilateral supply-purchase agreements. These agreements further reduced incentives for these countries to make internal adjustments to market instability. The imposition of export controls by major grain-producing countries led to uncertainty among importers about the availability of food supplies, regardless of price. Importers responded by initiating programs to increase and diversify their domestic supply of food, frequently at high treasury and resource costs. The actions of the Organization of Petroleum Exporting Countries (OPEC) in 1974 to nearly triple petroleum prices heightened anxiety about trade relationships and international investments by drawing on the foreign exchange reserves that would have formerly been used to import food and other commodities.

Faced with the choice of severe adjustments in their agricultural sectors or protecting the financial health of domestic producers, many countries chose the latter. These unilateral and bilateral measures in most cases further restrained and regulated international trade. Although these measures may have helped individual countries deal with unpredictable fluctuations in supply and demand, they did not contribute to the stability necessary for flexible trade. The continuation of protectionist policies hindered adjustment in production and consumption and thwarted U.S. efforts to stabilize domestic food and commodity prices and to enhance food security in developing countries.

INTERNATIONAL INITIATIVES

Agricultural trade discussions prior to the seventies were characterized by exporters defending their market positions and protesting the farm subisidies that importers employed, while importers protested the aggressive marketing policies of exporters. The economic rationale for their respective positions rested on the fact that a chronic surplus existed in world agricultural markets (*5*). The severe crop shortfalls of 1972-74 that led to a world food

crisis altered the character of agricultural trade discussions. Many nations began to recognize the need to coordinate their food policies so that fluctuations in world grain production could be minimized and agricultural trade could be made more equitable (*5*).

The dominance of wheat and rice as the food grains traded in the world market, the importance of corn in the livestock economy of developed and many high-income developing countries, and the influence of the grain market on soybean trade brought nations together to seek means of solving their common problems. Several multinational discussions took place during 1974-76, the most important being the Multilateral Trade Negotiations, the International Undertaking on World Food Security, the World Food Conference, and the World Food Council. The last three focused on cereals trade and on measures to improve market stability, market access, supply security, and food aid for developing countries.

The primary means of resolving commercial market problems discussed at these meetings were nationally held, internationally coordinated grain reserves. Proposals to establish a new international economic order responsive to the needs of developing countries were also considered. Food insurance and compensatory financing schemes that would alleviate development problems were included in the discussions.

As a low-cost grain producer and the largest exporter of grain, the United States had a vital interest in questions involving management of the world grain market. Several commodity agreements that would have restricted price movements were suggested. However, the United States favored stabilizing prices and liberalizing trade by means that would not impose rigid constraints on grain prices in the long run. As the period for developing food and agricultural legislation approached, no international reserve and food security programs had been agreed upon and the fundamental causes for world market instability were unchanged.

NATIONAL SETTING

During the seventies, agriculture became a more important factor in the U.S. economy. Severe food price inflation, increased reliance on the United States to supply the world's food needs, and substantial changes in resource allocation in the farm sector extended policy objectives into areas beyond the maintenance of farmers' incomes.

FOOD PRICES AND INFLATION

The possibility of domestic food shortages and rapid food price inflation became major national policy issues during the early seventies. The stage for these issues to emerge had long been in the making. However, it was a series of domestic and world crop shortfalls and international policy shifts that exposed the underlying problems and provided the impetus for developing food policy initiatives.

During the fifties and sixties, the annual increase in the consumer price index (CPI) for food was seldom greater than 5 percent and its contribution to the overall CPI was seldom over 0.5 percent (table 3). From 1970 to 1976, however, the increase in the CPI for food generally exceeded that for the overall CPI. Food price increases were exceeded only by price increases for medical care and fuel. In 1973 and 1974, food price increases were greater than 14 percent, imposing further economic hardship on low-income households and on elderly persons with fixed incomes.

The food price issue contributed greatly to the consumer movement's becoming a new force in the food policy arena. The Consumer Federation of America, the American Freedom from Hunger Foundation, and the National Consumer Congress were among the more active organizations that attempted to provide new directions in food and agricultural policy. Although loosely organized, these consumer groups formed alliances with major political groups, primarily labor, to get their objectives on the policy agenda. Their goals included:

- stabilizing food prices and supplies with food reserves;
- providing adequate nutrition to low-income consumers;
- advocating programs such as zero-tolerance regulations, unit pricing, and nutritional labeling;
- providing humanitarian food aid; and
- assuring equitable incomes to farmers and fair prices to consumers.

Although food price increases provided a focal point for consumer activism, the following related issues also entered the national food policy debate: the beef price freeze, food safety and quality, meat import quotas, large foreign grain sales, export embargos, and Government regulation of private trade.

THE FARM PROBLEM

Since the late twenties, public farm policies have attempted to solve the problem of low returns to agricultural resources. They have attempted to deal with the chronic problem of supply outstriping demand as a result of rapid technological change. Overcommitment of resources relative to market needs led to low returns, and modest changes in output had considerable impact on price and income (*1*). From the fifties to the early seven-

Table 3—Contribution of food prices to inflation, 1950-78

Year	CPI food	Change in CPI food	Contribution to all-item CPI[1]	All-item CPI	Change in all-item CPI	Increase in all-item CPI accounted for by food[2]
	Percent					
1950	74.5			72.1		
1951	82.8	11.1	2.74	77.8	7.9	48.1
1952	84.3	1.8	.50	79.5	2.2	29.1
1953	83.0	−1.5	−.23	80.1	.8	0
1954	82.8	−.2	−.07	80.5	.5	0
1955	81.6	−1.4	−.26	80.2	−.4	0
1956	82.2	.7	.20	81.4	1.5	16.5
1957	84.9	3.3	.89	84.3	3.6	30.7
1958	88.5	4.2	1.19	86.6	2.7	51.6
1959	87.1	−1.6	−.46	87.3	.8	0
1960	88.0	1.0	.30	88.7	1.6	21.2
1961	89.1	1.3	.36	89.6	1.0	40.3
1962	89.9	.9	.26	90.6	1.1	26.4
1963	91.2	1.4	.29	91.7	1.2	26.0
1964	92.4	1.3	.26	92.9	1.3	22.0
1965	94.4	2.2	.44	94.5	1.7	27.5
1966	99.1	5.0	1.08	97.2	2.9	40.0
1967	100.0	.9	.21	100.0	2.9	7.4
1968	103.6	3.6	.83	104.2	4.2	19.7
1969	108.9	5.1	1.22	109.8	5.4	21.8
1970	114.9	5.5	1.38	116.3	5.9	21.2
1971	118.4	3.0	.81	121.3	4.3	16.1
1972	123.5	4.3	1.17	125.3	3.3	29.3
1973	141.4	14.5	4.11	133.1	6.2	52.8
1974	161.7	14.4	4.67	147.7	11.0	32.0
1975	175.4	8.5	3.15	161.2	9.1	23.3
1976	180.8	3.1	1.24	170.5	5.8	13.4
1977	192.2	6.3	2.62	181.5	6.5	23.8
1978	211.4	10.0	3.50	195.4	7.6	24.9

[1] The change in the CPI for food multiplied by its relative weight in the all-item CPI. The relative weight of food in the all-item CPI was 0.33 from 1950 through 1962, 0.22 from 1963 through 1965, 0.23 from 1966 through 1977, and 0.18 in 1978.

[2] Column 3 divided by annual change in the all-item CPI.

ties, excess production led to the accumulation of burdensome stocks. Although crop prices were sustained in nominal terms by price supports and acreage diversion programs, in real terms they declined due to rising prices in other sectors of the economy.

During the early seventies, two dominant forces began to alter the general agricultural outlook:

- A near equilibrium in land and labor resources was reached—suggesting that agricultural excess capacity had disappeared. This phenomenon became increasingly important in determining agricultural policies (*8*).
- Increased reliance on exports made the agricultural sector more vulnerable to changes in economic, political, and weather conditions affecting international commodity markets. U.S. agricultural prices were determined by trade conditions. The deterioration of international commodity trading mechanisms coupled with worldwide crop shortfalls heightened the impacts on U.S. producers and consumers.

The equilibrium in the use of labor resources was partly due to a strengthening of the general economy which provided new employment opportunities for excess farm labor. But agricultural productivity growth began to decline in the late sixties. Further productivity growth would depend on the substitution of variable inputs for land inputs that were supplied more and more by the nonfarm sector and which were largely petroleum based.

Greater use of fertilizers, pesticides, and other petroleum-based chemicals was of greater importance to productivity growth than was the use of highly specialized machinery. The growing proportion of farm expenses represented by variable costs made farmers more susceptible to input price increases and product price decreases, and consequently less able to absorb production and marketing risks.

As a result of internal resource adjustments and expanded demand opportunities, prices and incomes in the farm sector grew substantially but became more volatile. From 1972 to 1974, season-averaged prices for wheat, corn, and soybeans increased by 232, 193, and 151 percent, respectively. Cotton and rice prices likewise increased. By 1976, wheat and corn prices had declined by 30 percent from 1974 levels and continued to fall. Cotton and soybean prices continued to rise during 1975-76. Net farm income reflected not only these price movements but also the rapid rise in petroleum-based input costs beginning in 1974.

In 1971, net farm income was $12.0 billion; in 2 years it had risen to $25.0 billion (in constant dollars). The decline in commodity prices and rise in production costs caused net farm income to fall to $11.5 billion in 1977. During the seventies, income from farming was the most volatile of any of the major components of national income. Variability in farm income was four times greater than it had been during the sixties (table 4).

High grain prices, small Government-held stocks, increased exports, and a policy shift to market-oriented programs aroused expectations which led many farmers to increase their debt load for land and machinery purchases to levels above that previously considered prudent. Producers' optimism was also buoyed by substantial returns to equity which increased more than fivefold between 1970 and 1973. Expectations of high rates of return encouraged those entering farming and led to further farm expansion.

The high grain prices, however, were detrimental to livestock feeders, who during the early seventies ap- approached the liquidation phase of the livestock cycle and required large grain supplies. Initially, rapidly rising

Table 4—Real national income, estimated trends and variations, by components, United States, 1961-77[1]

Component	1961-70 Average annual change	1961-70 Index of variability	1971-77 Average annual change	1971-77 Index of variability
	Percent			
National income	4.5	3.4	2.0	3.6
Employee compensation	5.2	1.8	2.1	3.1
Nonfarm proprietors' income	1.6	5.3	−1.7	5.6
Rental income	.4	6.9	−4.1	4.5
Corporate profits	2.4	16.0	1.5	12.8
Net interest	10.3	2.8	8.0	3.2
Farm income:				
With Government payments	−.7	7.4	−4.4	29.4
Without Government payments	−2.9	8.5	−1.0	34.7
Per capita personal income:				
Total population	3.5	1.6	1.6	2.4
Farm population	6.1	3.3	1.8	13.6
From farm sources	3.4	4.5	−1.3	25.0

[1] These estimates were calculated from regressions of the natural logarithms of the components of national income on a linear time trend. The deflator was the consumer price index. The average annual change refers to the coefficients of time, and the index of variability refers to the standard errors of the regression. Data for 1977 are preliminary.

Source: Council of Economic Advisors, *Economic Report of the President,* 1978.

feed prices resulted in lower meat prices, as feeders hurried slaughter animals to market, which in turn increased meat supply, decreased prices, and intensified the price-cost squeeze. The reduced demand for feeder cattle precipitated an increased slaughter of cows (further increasing the meat supply) and thereby created a self-perpetuating downward spiral in meat prices and cow herds.

Many cattle feeders, including investors outside agriculture, were faced with financial ruin or at least large losses. Bankers were also concerned because they held mortgages on cattle whose value decreased as prices fell. The liquidation of breeding stock and uncertainty in livestock investment continued to plague the national economy. As meat accounts for a substantial portion of consumer food expenditures, the developments of 1972-74 caused food price inflation that continued through the seventies.

CONCLUSIONS

The economic interdependence of national economies, substantial changes in resource use and allocation within the farm sector, and the outpacing of agricultural productivity by demand became major considerations in formulating agricultural policy. The farm sector's capacity to adjust to the rapid expansion and subsequent contraction in commodity prices had been pushed to the limit. The capital and cash flow requirements of producers had expanded greatly. Thus, measures were needed that would provide stability to producers and consumers and that would spur lagging agricultural productivity at home and abroad.

The unilateral measures pursued by many countries to shift the burden of food scarcity to others required designing new programs that would be radically different from previous U.S. agricultural policy. Food scarcity in developing countries and the expanded role of U.S. agriculture in international affairs had considerable influence on U.S. policymakers as they formulated agricultural legislation in 1977.

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THE FEDERAL POLICY PROCESS IN DEVELOPING THE FOOD AND AGRICULTURE ACT OF 1977

By
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ABSTRACT

Since the twenties, the U.S. Congress has enacted a succession of laws to mitigate the economic ills of agriculture. Just as the agricultural sector has markedly changed during this half-century, so have the policy tools employed and the process by which policies are developed. The subject of this article is the most recent of these laws, the Food and Agriculture Act of 1977, the policy tools it incorporates, and the process by which it was developed.
Keywords: **Agricultural and food policy, policy process, Food and Agriculture Act of 1977.**

INTRODUCTION

On September 29, 1977, President Carter signed into law the most recent of the major pieces of agricultural and food legislation which now span more than a half-century. The signing marked the culmination of a process that began more than a year earlier and that produced the most comprehensive and far-reaching agricultural and food legislation ever enacted. This legislation, the Food and Agriculture Act of 1977 (Public Law 95-113), largely determines the broad course of the Nation's food and agricultural policy today. More importantly, perhaps, it embraces a philosophy and sets forces into motion that could have a lasting effect on the American food and fiber system.

As is common with legislation developed in a process of compromise in the political arena, the *full* implications are yet to be determined. They will depend upon many factors. Important ones are the future climate and weather patterns of the United States and the world, and the state of health of the domestic and international economies. To place future events in appropriate perspective, it is useful to have some notion of the context in which this legislation was created and of the principal determinants in its development. That is the express purpose of this article.

The article follows the chronological sequence of events occurring during the development of the bill and is organized into the following major sections:

- Policy-Shaping Events of 1976
- Beginning Congressional and Executive Actions in 1977
- The Major Legislative Proposals
- Committee Hearings and the Markup Process
- Senate and House Floor Actions
- The Conference Committee
- Final Congressional and Executive Branch Actions

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Long before the actual debate began on a specific bill, the events of 1976 had affected the content of new legislation. A major event was the national elections which determined the complexion of the Congress and decided which political party would occupy the White House. The outcome of the elections was an important determinant of the atmosphere prevailing during the legislative process and an influence on the basic content of a new bill. The remainder of this section is concerned with events of the second half of 1976 that were relevant to development of the 1977 act.

THE NATIONAL ELECTIONS

Agriculture and food were not major issues of the 1976 national elections. There were sporadic occasions on which attention was drawn to food and agriculture, but the significance of the elections was much broader.

Agriculture and Food in the Party Platforms

Both major political parties included the traditional plank on agriculture in their platforms. Both were traditional—broad, general expressions enunciating lofty goals but short on specifics as to how such goals were to be attained. The Democratic plank was drafted in the 2 months preceding the July 12-19 party convention and finalized only after the nomination of Jimmy Carter was assured. Carter aides had approved the draft which was presented to the convention delegates for approval, and it was accepted without change.

The Democratic Party's statement may be briefly summarized as:

- Praise for the "ability and eagerness" of American farm families, criticism of the 8 years of the Nixon-Ford administrations, and a call for the development of a national food policy "for both producers and consumers."
- Assurance of "parity returns to farmers based on cost of production plus a reasonable profit," revitalization of farm credit programs, and establishment of a farmer-held grain reserve.
- Reaffirmation of support for farmer cooperatives and retention of the Capper-Volstead Act ". . . in its present form."
- Expansion of markets abroad for agricultural products and protection of the health of citizens by ensuring that imports meet the same quality standards as domestic products.
- Halting of ". . . illegal concentrations and price manipulations of farm equipment and supply industries."

The Republican plank was not drafted until just before its convention because of uncertainty over the outcome of the contest for the nomination between President Gerald Ford and Ronald Reagan, although the views of the contenders on agricultural issues may not have differed significantly.

While the Democratic plank focused on what the party would do if elected, the Republican plank sought more to accentuate their record. The key points of the Republican statement are summarized below:

- Maintenance of rural America as a "rewarding place to live" by access to services comparable to urban areas.
- Emphasis on the increased agricultural export earnings since 1968, achievement of full production, and higher farm incomes since 1972.
- Continuation of the principles of the 1973 act with "adjustments of target prices and loan levels to reflect increased production costs," opposition to Government-controlled grain reserves, prompt congressional action to amend the Grain Inspection Act to "restore its integrity," a pledge for "unfettered access" to world markets for farmers, protection against subsidized exports of other nations, assurance that imported commodities are of equal quality to domestic commodities, and recognition of the importance of the mutilateral trade negotiations.
- Acceptance of labor relations legislation "responsive to the welfare of workers and to the particular needs of food production," support for a system of all-risk crop insurance to provide farmers protection from natural disasters, liberalization of estate and gift tax legislation, expansion of agricultural research, assurance of energy sources for production, and reaffirmation of support for farmer cooperatives and the Capper-Volstead Act.

Both statements touched on many of the concerns of the farm sector but contained few substantive guidelines for detailed development of new legislation.

Agriculture and Food as a Campaign Issue

Food price increases, which had been dramatic during 1973-75, had subsided and were no longer a topical issue. While farm product prices had also declined substantially from the high levels of the previous 2 years, economic conditions in the farm sector had not yet deteriorated to the point they would reach in early 1977. Farmers and farm groups were unable to get agricultural conditions elevated to the status of a major national issue. There were, however, a few instances in which related issues did move sporadically into the national spotlight.

A brief flurry of activity which attracted national attention occurred when the candidates gave their views on export embargoes of agricultural commodities.[1] This was an emotional issue in much of the farm community still smarting from embargoes initiated during the Nixon and Ford administrations.[2]

In a major farm policy address on August 25 at the Iowa State Fair, Mr. Carter went beyond the party platform statement and said he would ". . . stop farm embargoes once and for all." He was soon forced to retreat from this position and to include the proviso, "except in extreme circumstances which I do not expect to see." Senator Robert Dole (Rep.-Kans.), the Vice-Presidential nominee, promptly criticized Carter for changing positions on the issue but he, too, was subsequently forced to admit that President Ford had also promised "no embargoes" in his Kansas City acceptance (of the Republican nomination) speech. Dole then indicated that the phrase ". . . except in a national emergency" was implied.

After these "misstatements" and clarifications, both presidential candidates soon came to the same position—they would not impose embargoes on foreign sales unless emergency conditions existed domestically.

Another instance of brief national attention to agriculture was the abrupt resignation of Secretary of Agriculture Butz on October 4, 1976 (scarcely a month before the election). Butz, a popular Secretary of Agriculture in the farm sector, was identified as the chief proponent of the Nixon and Ford administrations' "free market" or "market-oriented" agricultural policy, and he had criticized Carter throughout the campaign. In his resignation statement, Butz said that his leaving would in no way "signal a change in the farm policies of the Ford Administration."[3] He emphasized that these policies had become institutionalized and would continue to rely heavily on foreign sales of U.S. agricultural products, especially grains. John A. Knebel, the Under Secretary, was named Acting Secretary to replace Butz.[4]

A third event which received brief national attention involved Knebel, just 2 weeks after the resignation of Secretary Butz. During the week of October 15, the Ford administration announced the *1977* crop price support levels for wheat, feed grains, and soybeans, and it *made the 1977 levels retroactively applicable to the 1976 crops.* This action allowed USDA to provide additional retroactive loan payments to producers who had already placed their grain under loan at the lower, previously announced, 1976 loan levels. The 1977 levels announced then and the previous 1976 levels are shown below:

Commodity	First announced 1976 loan levels	1977 and revised 1976 loan levels
	Dollars	
Wheat	1.50	2.25
Corn	1.25	1.50
Sorghum	1.19	1.43
Barley	1.02	1.22
Oats	.60	.72
Rye	1.00	1.20
Soybeans	2.50	2.50

Knebel stated that the new levels would give ". . .farmers timely assistance in the orderly marketing of the (1976) crop of wheat. . ." and with the projected record corn and other large feed grain crops.[5] Knebel additionally commented that action was being taken at that time in response to the increasingly restricted credit available to farmers to carry the largely unsold 1976 grain crops and to finance purchases of production inputs necessary for seeding the 1977 crop.

This action was almost immediately labeled as being politically motivated.[6] The political significance attached to the timing of the announcement by many observers prompted a question to President Ford at an October 14 news conference. He was asked to explain the action in light of a statement the day before the announcement by one of USDA's chief economists that ". . . no economic justification existed for increasing wheat and feed grain

[1] While the Democratic Party platform pledged to intensify efforts to expand exports, it also contained a phrase stating ". . . at the same time we must prevent irresponsible and inflationary sales from the American granary to foreign purchasers," which was widely interpreted as retaining the possibility for future grain embargoes. This language, however, was almost identical to Secretary of Agriculture Earl Butz's explanation of the policy of the Ford administration.

[2] The Nixon administration placed export controls on soybeans in 1973. The Ford administration requested voluntary cancellation of sales of wheat and corn to the Soviet Union in October 1974 and then briefly suspended exports of all grains to the Soviet Union and Poland in 1975.

[3] *The Wheat Letter,* Great Plains Wheat, Inc., October 8, 1976, p.1.

[4] Knebel served as Acting Secretary for about 4 weeks. Then, shortly after the general election (November 2), he was designated by President Ford as interim Secretary to officially fill the vacant Cabinet position until the new administration took office. Because the Congress was not in session, the action did not necessitate the normally required Senate confirmation.

[5] *The Wheat Letter,* Great Plains Wheat, Inc., October 15, 1976, p.1.

[6] The Ford administration was also criticized for distorting the wheat/corn price support relationship which had been maintained for many years. While the world market tends to accord wheat a price premium (over corn) as a food grain, the U.S. loan levels for many years had been set in such a manner that when wheat was in excess supply, its price could move to levels enabling wheat to compete as a feed grain in domestic markets.

loan rates."[7] In commenting on this unprecedented mid-season change in the wheat loan rate, Ford stated that ". . . current conditions justified my decision to increase the loan rate for wheat." The President recalled that at the time he vetoed the 1975 Emergency Farm Bill (in May 1975) he had said that if farm prices were to drop sharply during the months ahead, the administration would review the possibility of raising the loan rates. In addition, Ford said he had indicated during the previous week to a group of grain producers at a meeting in Lawton, Oklahoma, that he would "seriously consider adjusting the loan rate." He concluded that the "severe drop" in wheat prices since May 1975 fully justified his decision because farmers had responded and continued to respond to the administration's policy of full production.

According to most observers, congressional and farm organization support for increasing the wheat loan rate had been growing during the previous 3 months as wheat prices had declined.[8] It had also been reported that Senator Dole had on several occasions privately urged President Ford to increase the loan level because of the current market conditions.

The Election–How the Farm States Voted

Since 1948, when Harry S Truman staged his classic upset over Thomas Dewey with the help of six key farm States, Presidential aspirants have traditionally courted the so-called "farm vote." In 1948, nearly 1 in 6 Americans lived on farms, but by 1976, fewer than 1 in 25 were on farms. The votes of the 8.5 million Americans still living on farms were important, but the days had passed when the farm vote was closely enough united to swing elections.

The farm vote was no longer a "single issue" bloc; it had generally become as diverse and subject to the same ideological divisions as the electorate as a whole. Farmers and rural people no longer harbored any illusions about their diminishing strength at the polls or their influence in a Congress which increasingly reflected an industrialized urban economy.

The polls indicated the 1976 contest was becoming closer as election day grew nearer, and although the "farm vote" was of decreased national importance, it was not neglected. Republican strategists viewed the Midwest farm States as crucial to a Ford victory. Widespread opposition to the grains embargo of 1975, and wheat, corn, hog, and cattle prices, all well below year-earlier levels and declining, were of obvious concern.[9]

Livestock producers were in the second year of financially depressed conditions. High grain (feed) prices in 1973-74 had made cattle feeding increasingly unprofitable, and in 1975, livestock producers began the most rapid liquidation of the cattle herd in history. The herd liquidation kept large supplies of beef on the market, and, consequently, retail meat prices at relatively low levels.

This economic situation made the beef import issue one of great interest to cattle producers. The Ford administration had negotiated voluntary restraint agreements (VRA's) to limit imports with all major supplying countries except Canada. However, shipments of Canadian beef in 1976 were larger than had been expected. In addition, a "loophole" in the 1964 Meat Import Law had become evident. This allowed superficially processed foreign meat to enter the United States through so-called duty free trade zones (notably Mayaguez, Puerto Rico) without being counted against a country's negotiated (in the VRA) allowable shipments.

In response to increasing pressure from livestock interests, President Ford on October 9 invoked formal country quotas authorized by the Meat Import Act.[10] This

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[7] Statement by J. Dawson Ahalt, then Staff Economist in the Office of the Secretary, in response to a reporter's question at a Departmental news briefing on the just-released October crop report.

[8] Ironically, in a little noticed press release issued from Plains, Georgia, at 6:00 a.m. the day before the Ford administration's announcement, Carter had also called for an immediate increase in the wheat price support. After noting the cost-price situation, Carter stated:

> Under these circumstances, I feel that the government has a great responsibility to provide some relief to farmers. The President and the Secretary of Agriculture should immediately take action to alleviate the distressing situation the wheat farmers of America are now facing. Therefore, I call upon the President to direct the Secretary of Agriculture to use the vast expertise available to him to determine a loan level for wheat that will give farmers price and income protection and yet allow wheat to continue to move freely in world markets. The current loan level of $1.50 a bushel for wheat is completely inadequate and unrealistic. The President should use the authority Congress has given him to establish a realistic loan level immediately.

[9] Wheat prices had fallen over $1 per bushel from July 4 to the week prior to the election. A large portion of the 1976 crop had still not been sold and was being held in storage by farmers; the falling prices were thus significantly reducing the value of their inventories. However, the prosperity of producers of other crops, namely corn and soybeans, across broad areas of the Midwest served to offset some of the discontent of the wheat and livestock producers.

[10] Coincidentally, as with the grain price support increase, Carter had called for strict enforcement of the meat import law 1 day before the Ford administration's action. Carter stated:

> President Ford should immediately move to enforce and tighten the quotas to provide greater protection against foreign imports and to help our cattle producers by curbing the rate of imports. ("Carter calls for Tighter Beef Import Quotas," Press Release issued at El Paso, Texas, October 8, 1976.)

was the first time quotas had been invoked in the 12-year history of the law.[11] He also used this occasion to prohibit meat from entering through the duty-free trade zones without being counted.

In his campaign, Carter generally adhered to and amplified positions developed for the Democratic Party platform. On several occasions he discussed his general philosophy of agricultural policy, the provisions he would favor for legislation replacing the expiring Agriculture and Consumer Protection Act of 1973, and the process by which this would be done. On general philosophy and the development process, he stated:

> In the public interest, we must develop a farm program which will help keep the risks of full-scale agricultural production within acceptable limits and afford family-type farms the opportunity to continue to compete in an economy dominated by giant conglomerates .... I would cooperate with and rely upon the Congress to work out the provisions of a farm program consistent with the principles stated in the Democratic Platform. Farmers and their elected committeemen would be consulted and deeply involved in the program development process.[12]

In speeches, interviews, and written responses to questions submitted by various publications, he treated various areas for consideration in a new bill. The specific topics he indicated he would favor for inclusion were grain reserves, price and income supports, acreage controls, disaster assistance, agricultural research, P.L. 480 (Food for Peace), and reorganization of USDA. His statements were more an enunciation of guiding principles, or philosophy, than of specific details. (The areas Carter mentioned specifically were dealt with in the 1977 act, with the single exception of reorganization of USDA. This occurred later, apart from the 1977 legislation.) In the campaign, he made few explicit "promises" to which he would be later bound when the new legislation was developed and the inevitable compromises became necessary.[13]

Jimmy Carter narrowly won the Presidency in the November election—by only a 51- to 48-percent majority of the popular vote and a 297 to 241 electoral college vote. He carried the populous eastern half of the country with the exception of only six States—Maine, New Hampshire, Vermont, Connecticut, New Jersey, and Virginia. He did not, however, fare as well in the traditional "farm belt" States and west of the Mississippi in general. Carter lost all the States west of the Mississippi except Arkansas, Minnesota, Missouri, and Texas. The traditional Midwest Republican farm States and the western ranching areas all went to Ford.

LEGISLATIVE PREPARATIONS IN THE CONGRESS

While the Presidential campaign progressed, the leadership of the Congress was also looking ahead to 1977. This was to be a banner year for food and agricultural legislation because of the coincidental expiration of several pieces of major legislation and the expected advancement of proposals in several related areas. Specifically, the Agriculture and Consumer Protection Act of 1973 and the 2-year Rice Production Act of 1975 were expiring. Authorization for the P.L. 480 (Food for Peace) program and funding authorization for the Food Stamp Program (initiated by the Food Stamp Act of 1964) were also expiring. Legislative proposals for modification of the peanut program (authorized in permanent law) and for the organization and funding of agricultural research and extension were expected.

The Agriculture and Forestry Committee in the Senate began preparation for the upcoming legislative tasks in a novel way. Rather than starting with public hearings to gather testimony (either with or without a specific bill) as is customary, the committee solicited the written views of major interest groups and agricultural leaders around the country. During the second week of June 1976, Committee Chairman Herman Talmadge (Dem.-Ga.) sent letters to then Secretary Butz, prominent former Democratic officials, and a large number of farm and commodity organizations, consumer groups, academics, and others soliciting their views on agricultural and food policy issues.

The collected responses were then published in September 1976 in a volume, *Farm and Food Policy, 1977.*[14] The volume was intended to provide much of the groundwork for those issues which the committee expected to encounter in the development of new legislation. The widely circulated monograph proved useful in a variety of ways. It provided an impetus for many groups and individuals to begin focusing on the issues, mobilizing their support, and preparing input for the upcoming proceed-

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[11] The U.S. invocation of quotas was strongly opposed by foreign governments. The action could have placed the United States in violation of its commitments under the General Agreements on Tariffs and Trade (GATT). However, the major suppliers chose not to push the issue at that time. Two factors served to ameliorate the consequences of the action: the quotas were in effect for only 3 months, and they were applied at the voluntary restraint level for all countries except Mexico, which agreed to a lower rate.

[12] Response to a question from *Farm Journal* magazine.

[13] One apparently explicit promise was to increase the level of the milk price support. This was also one of the first actions of the new administration. On March 15, the administration announced an increase in the support price to $9.00—at that time 83.4 percent of the milk parity price.

[14] U.S. Congress, Senate Committee on Agriculture and Forestry, *Farm and Food Policy, 1977,* September 15, 1976, 277 pp.

ings. It also served to acquaint the committee staff, many of them veterans of several "farm bills," with likely new twists in the old issues, and to help them prepare for the new issues which might emerge. The publication also proved especially useful as the committee staff would later be instructed by the chairman to draft the first seriously considered version of a comprehensive "farm bill" (S. 275) to be introduced in the 95th Congress.

BEGINNING CONGRESSIONAL AND EXECUTIVE ACTIONS IN 1977

The stage was being set at the turn of the year so that the new legislation could move rapidly. The new Congress convened early, and the new administration was being formed. Several bills were being prepared for introduction, and the interest groups were beginning to turn their attention to new legislation.

THE 95TH CONGRESS ORGANIZES

The 95th Congress convened on January 4 with an unusually large number of new members in both the House and Senate. Eighteen freshmen joined the Senate, the largest number of newcomers at one time since 1958. A large number of new Representatives also entered the House. More than half the House members in the 95th Congress had been elected since 1970. Thus, for many, food and agricultural legislation in this session would be a case of "first impressions," a situation which would perhaps prove beneficial in that the new members would have few prejudices and would not be operating from ingrained positions. A disadvantage was that these members had no "sense of history" and would be inclined to spend valuable committee time familiarizing themselves with previous legislation and programs.

The first business of the new Congress was to establish the necessary organizational machinery. Changes in the top leadership in both chambers were probably more dramatic and sweeping than had occurred at any time during this century. Many of the most influential leadership posts were changing which, given the seniority system, resulted in consequent changes in the "leadership ladder" throughout the Congress.

Representative Thomas Foley (Dem.-Wash.) had become the youngest committee chairman in the House when he succeeded long-time chairman W.R. Poage (Dem.-Tex.) as Chairman of the Committee on Agriculture in the reform wave of the 94th Congress. In the 95th Congress, Foley was elected Chairman of the Democratic Caucus[15] (considered the number 3 position in the House leadership hierarchy)—a post not directly related to agriculture and food legislation, but one which certainly enhanced his influence and which could (and would) be critical in subsequent key committee and floor actions on the bill. As committee chairmen, Congressman Foley and Senator Talmadge were perhaps the most influential figures in guiding the legislation over the many impasses that were later to arise.[16]

HOUSE AGRICULTURE COMMITTEE

The large turnover in membership of the House Committee on Agriculture paralleled the change in the parent body. The Republicans added 2 members to the committee, bringing their number to 15. Keeping the traditional majority/minority membership of 2 to 1 plus 1 (31 Democrats, 15 Republicans), the Committee gave the Democrats 10 vacancies to fill. The 46-member committee then consisted of 10 freshmen and 17 second-term members, which meant that a majority of the committee, like the House itself, had served less than two terms.

After the new members were named, the committee completed its organization for the first session by appointing its 10 subcommittees. The subcommittees and chairmen (all Democrats) were:

Cotton—David R. Bowen (Miss.)
Dairy and Poultry—Charles Rose (N.C.)
Forests—James Weaver (Oreg.)
Livestock and Grain—W. R. Poage (Tex.)
Oilseeds and Rice—Dawson Mathis (Ga.)
Tobacco—Walter Jones (N.C.)
Conservation and Credit—Ed Jones (Tenn.)
Department Investigations, Oversight, and Research—E. de la Garza (Tex.)
Domestic Marketing, Consumer Relations, and Nutrition—F. W. Richmond (N.Y.)
Family Farms, Rural Development, and Special Studies—Richard Nolan (Minn.)

The committee chairman and the ranking minority member (William Wampler, Rep.-Va.) also served as ex-officio members of all subcommittees.

[15] The Democratic Steering and Policy Committee, which assigns party members to committees, nominates committee chairmen, and forms legislative policy, is an arm of the Democratic Caucus. The House Democratic Caucus approves Steering Committee nominations for Committee Chairman, determines party rules (governing many committee procedures) and House rules (which must be adopted by the House), and occasional binding votes.

[16] See Karen Elliott House, "How Representative Foley played a Key Role in Shaping Disputed Farm Bill," *Wall Street Journal,* September 14, 1977, p.1.

SENATE AGRICULTURE COMMITTEE

The newly named Committee on Agriculture, Nutrition, and Forestry did not complete its organization until early February.[17] Three new members were then added: John Melcher (Dem.-Mont.), Edward Zorinsky (Dem.-Nebr.), and S. I. Hayakawa (Rep.-Calif.). The 18-member committee was then composed of 11 Democrats and 7 Republicans.

The subcommittees, all chaired by Democrats, were:

Nutrition—George McGovern (S. Dak.)

Agriculture Credit and Rural Electrification—James B. Allen (Ala.)

Research and General Legislation—Patrick J. Leahy (Vt.)

Environment, Soil Conservation, and Forestry—James O. Eastland (Miss.)

Agricultural Production, Marketing, and Stabilization of Price—Walter Huddleston (Ky.)

Rural Development—Dick Clark (Ia.)

Foreign Agricultural Policy—Hubert H. Humphrey (Minn.)

THE NEW ADMINISTRATION AT AGRICULTURE

President-elect Carter nominated Bob Bergland, a three-term Congressman from Minnesota and political ally of Vice President-elect Walter Mondale, to be Secretary of Agriculture.[18] Bergland's confirmation hearings before the Senate Agriculture Committee were amiable, and confirmation by the full Senate was routine. He was sworn in with other Cabinet officers on January 24 and immediately assumed his duties in the Department.

The appointments of the sub-Cabinet and other top policy officials in USDA did not proceed so rapidly. It was to be several months before all the political appointees were named and had officially assumed their duties. The Director-designate of Agricultural Economics, Howard W. Hjort, was the first of the sub-Cabinet policy officials to arrive at USDA (on February 7), and he served as a consultant the first few weeks until his appointment was officially announced.

The first major decision facing the new administration was what to do about new legislation. The options were to seek a 1-year extension of the expiring 1973 act, to immediately begin development of a major legislative proposal, or to simply allow the Congress to proceed and then respond to its proposals. Many observers predicted the administration would request a 1-year extension because of the circumstances—namely, the time available in which to develop a major legislative initiative was very short, and it would be several months before the full complement of policy officials could be selected, confirmed, and organized within USDA.

The schedule of the congressional budget process mandated that the agriculture committees of both houses have bills reported to their respective bodies by May 15. This would require that drafting, public hearings, and markup proceed rapidly. To receive full consideration, an administration proposal would need to be presented to the Congress by mid-March.

The Secretary was known to favor development of a new bill which would have the administration's imprimatur. And, despite the constraints, he elected to prepare a major legislative initiative[19] encompassing commodity programs, Food Stamp Program reform, P.L. 480 (the Food for Peace program), and research and extension programs. The effort was quickly initiated within USDA in late January when the Secretary appointed a task force to begin preparation of the necessary background materials. Hjort assumed direction of this effort immediately upon his arrival. Most of February was devoted to analyses of alternative commodity program options. Once the options had been narrowed, officials from other executive branch agencies were convened in early March to review the options USDA was considering and to begin moving toward an administration proposal.

A presentation of those preliminary options was made to the Economic Policy Group (EPG)[20] on March 7. No decisions were made at this meeting, and the process of exploration and refinement continued. Other agencies continued assessment of the options and preparation of their own analyses and recommendations.

USDA officials had selected a preferred complement of commodity programs which, with other selected options,

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[17] The Senate had established a Committee on Committees during the 94th Congress in an attempt to bring order to the committee system of that body. One result of this effort was the merger of the Select Committee on Nutrition and Human Needs (formed in 1968 and chaired by Senator George McGovern) with the Agriculture Committee. The name was changed to Committee on Agriculture, Nutrition, and Forestry to reflect the expanded responsibilities.

[18] Bergland had been reelected to a fourth term in the November 1976 elections. He took the oath of office as a member of the House of Representatives from Minnesota's 7th District for the 95th Congress and served the few days until his appointment was confirmed by the Senate.

[19] This was to be the first administration-authored bill since the Kennedy/Freeman farm bill of 1963. Subsequent administrations had elected either to work with the congressional committees or to react to proposals, rather than offer bills which would become embroiled in partisan politics. (Chairman Foley later counseled members of the House Agriculture Committee not to introduce the administration bill to avoid just such an occurrence.)

[20] The EPG was then the decision body for economic policy within the new administration. Following the reorganization of the Executive Office of the President, the EPG no longer had this function.

were again considered by the EPG on March 16.[21] A decision memorandum containing the narrowed list of options was then developed for presentation to the President. A meeting was held with the President to acquaint him with the general proposal, to note where major agency disagreements existed, and to seek his guidance. The President did not decide all the issues on which disagreement existed. He directed the "principals" to meet and resolve the remaining differences. The major areas of disagreement were the income support and target price levels, flexibility and criteria for adjustment of price support loans, and whether to extend P.L. 480 for 1 or 4 years. The principals then met on March 22, and, as was widely reported in the press at the time, the income support levels finally selected for presentation to the Congress were lower than those in the USDA-preferred option.

Materials for the Secretary's testimony on the following day had been prepared based on the USDA-proposed levels. This last-minute adoption of the lower levels meant that the Secretary's prepared statement had to be redrafted, budget outlays reestimated, and various other reassessments made, all by the time for the Secretary's appearance before the congressional committee on the following morning. These tasks were completed, and Secretary Bergland outlined the administration's proposals to the Senate agriculture committee on March 23 and to the House committee on the following day. As not all aspects or details of the proposal had been fully developed, a formal bill was not available until several days later.

THE MAJOR LEGISLATIVE PROPOSALS

Several pieces of agricultural legislation were proposed in both Houses. Of these, the Talmadge/Dole bill received the most serious attention. In addition to congressional initiatives, the other proposal of wide interest was that developed by the new administration.

THE TALMADGE/DOLE BILL

Since the close of the 94th Congress, the staff of the Senate Committee on Agriculture, Nutrition, and Forestry had drafted an "omnibus farm bill" following general guidelines given by Chairman Talmadge. The draft bill, entitled the "Food and Agriculture Act of 1977," was introduced on January 18, assigned the number S. 275, and immediately referred to the agriculture committee for consideration.

In his statement introducing the bill on the Senate floor, Chairman Talmadge set the stage for the process:

> Any legislation of this nature must be considered in the context of a total and comprehensive national food and agricultural policy. This is so because food is basic. It is so because our whole complex of agricultural law must have a basic purpose—the assurance to the consumers of this nation of a continuous supply of food and fiber at a reasonable price, and some assurance to the producers that they won't be bankrupted in that process.[22]

Chairman Talmadge also stated several principles which he thought must underlie development of the new bill:

First, farmers must have basic price and income assurance if they are to take a financial risk, both long- and short-term, of continued crop production.

Second, the program must be devised so that the market potential for U.S. agricultural commodities can be fulfilled.

Third, the greatest possible farm-planting flexibility must be built into the programs.

Fourth, the interests of consumers and taxpayers must be fully protected.

Fifth, the program must be designed to help strengthen the Nation's economy.

And sixth, the program must be designed to permit and encourage the family farm to grow and prosper.

He further noted, "It is important that everyone understand that the provisions of this bill are not written in concrete, that I offer this bill as a base from which the legislative process can go forward" (*9*, p.6). He concluded by noting that Secretary-designate Bob Bergland had appeared before his committee the previous week (for confirmation hearings) and had "pledged to work with us in developing a final product" (*9*, p.6).

The bill was truly an omnibus bill in that it included farm commodity, food stamp, and P.L. 480 programs; it created a new charter for the Nation's agricultural research; it extended the appropriations authority for the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) for 3 years; and it treated other miscellaneous agricultural programs. The term of the bill was 5 years, including the 1978 through 1982 crops.

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[21] Secretary Bergland had been scheduled to present the administration's proposal before the congressional committees on March 14 (Senate) and 15 (House). However, the slow pace of interagency deliberations precluded having the administration proposal ready. A postponement until March 23 (Senate) and 24 (House) was requested and granted.

[22] Prepared Statement of Senator Talmadge to the U.S. Senate on the introduction of the Food and Agriculture Act of 1977, January 17, 1977, p.1.

There were other early legislative initiatives in both Houses. Representative Neal Smith (Dem.-Ia.) was the first member of the 95th Congress to introduce a major bill (H.R. 33) to replace the 1973 act. (He had introduced essentially the same bill in the 94th Congress). Another major bill, S. 203, was introduced in the Senate on January 12 by Senator Henry Bellmon (Rep.-Okla.). In addition to the major bills introduced—major in the sense that they treated most commodity program provisions—several other bills of more limited scope would be introduced and considered in the markup process. A listing of the bills introduced in the Senate before the committee's markup is shown in appendix A.

THE ADMINISTRATION PROPOSAL

The new administration faced economic conditions in agriculture far different from those during 1972-76. The economic conditions of that period had allowed a reduced Federal presence in the agricultural sector but, by early 1977, the agricultural economy appeared to be returning to conditions prevalent before 1972. However, the returning problem of farm income was placed in a new and still unfamiliar context—potential market instability due to increased reliance on world markets for American farm products.

In developing a comprehensive policy of which the new legislation would be the centerpiece, the new administration was thus confronted by problems with both low and high price dimensions. The broad policy objective of "protecting those who produce and consume our nation's food and fiber from both natural and economic disaster" served as a general guide for development of the proposal.

The constraints were the traditional ones—finding acceptable trade-offs involving farm income, food prices, and Government expenditures. That is, a balance had to be struck among the concerns for producers (income), consumers (food costs), and taxpayers (Government outlays). A consideration that received far greater attention than in times past was international trade—now of significance as an outlet for American farm products and as a positive contributor to the Nation's trade balance.

The administration's proposal included several new concepts: (1) a "current plantings concept" to replace the outdated crop acreage allotment system, (2) downward flexibility in the price support levels to enable response to changing market conditions, and (3) income support (target prices) based on *individual* commodity costs of production.

The Current Plantings Concept

Compliance with farm program requirements and the disbursement of benefits had long been based on allotted acreages for program crops. These allotments generally represented each producer's share of total national production of the crop and had been initially based on a farmer's plantings in some historical period. As time passed, the geographic production pattern of the allotment system no longer closely corresponded to the existing production pattern. Government programs for the major crops were essentially inoperative during 1973-76 because market prices were well above the price supports. Many producers who had previously planted program crops to maintain their "history" for allotments and to gain eligibility for program benefits were producing in response to market signals rather than to the programs. Production thus shifted to the most efficient farms and production regions.

As farmers changed to the crops they could most efficiently produce, a new production pattern emerged. Many farmers producing the major crops had no allotment by 1976, while many original allotment holders no longer grew the crops. To continue the allotment system without change would have resulted in gross inequities among farmers in the required program compliance and in the disbursal of program payments (including disaster assistance). The effectiveness of the programs would have also been greatly diminished. This was widely recognized in the Congress, and there was general bipartisan support for updating the allotment system in some manner.

The current-plantings concept advanced by the administration based compliance requirements and benefit eligibility on the acreage planted in the current year of concern. Farmers might make their choices on which crops to produce on price and cost expectations and without concern for how their actions would affect their "history" for the programs (that is, their future eligibility for program benefits).

Removal of allotments had been suggested in the past but had been met with immediate and strenuous opposition by those holding them. A proposal to abolish allotments was politically viable in 1977, primarily because of the 1973-76 conditions in which the allotments had not been a factor in agricultural production or farmers' incomes. In the new situation, however, producers in areas *from which* crops had shifted were not intensely interested in maintaining them, while producers in areas *to which* the crops had shifted supported reform.

Price and Income Supports

Price and income supports—integrally related to the politically sensitive areas of budget outlays, farm income, food prices, and competitiveness in foreign markets—were thus the components of the administration's commodity program proposals which received major attention. The administration's objective was to develop equitable income support levels *among* producers of the various crops and price support levels which would afford protection from disastrously low prices, yet ensure competitiveness among commodities in the market. The task was to determine price and income support levels that did not favor one commodity over another with income protection, did not arbitrarily alter competitiveness among the major

grains, and did not become inconsistent with longer term market signals.

Attainment of these objectives presented three problems which had to be addressed in order:

(1) adoption of a standard or guide which provided a rationale for the levels,

(2) establishment of initial levels (for the 1978 crops), and

(3) selection of an adjustment procedure to keep support levels current for the years beyond 1978.

The most difficult problem was selecting a standard on which to directly base the income support levels. Several alternatives were examined, including moving averages of past market prices, cost of production, parity, and others, but most attention was accorded to some form of cost-of-production measure. The parity concept was largely ignored because of its well-known deficiencies. Other alternatives examined also had limitations.

A serious concern with the cost-of-production concept was that including fixed asset costs would induce a cost/price support spiral. The Senate Committee Bill (S. 275) contained the individual commodity cost-of-production concept with a charge for land included in the initial (1978) levels *and* in the annual adjustments. Although the land charge in S. 275 was based on an average acquisition land price, which was significantly lower than the current land price, the likelihood of an induced cost/price spiral was seen as an unacceptable weakness.[23] It was eventually decided this could be largely avoided by *not* including land charges in the adjustment procedure.

The administration's procedure for establishing *initial levels* was to include all costs at their full levels, except for the land input. Controversy had long existed as to whether the appropriate charge for owner-operated land was some rental fee or an imputation based on acquisition price, current price, or some composite of these methods. The administration included a land charge of 1.5 percent of current price in the total costs used for the initial target price levels. In a subsequent revision (discussed below), the administration increased this to about 3.5 percent, an amount approaching the long-term return to investment (equity) in agricultural land.

The *adjustment procedure* for the 1979-81 target prices included only variable, machinery ownership, and overhead costs; management and land charges were specifically excluded. As land price increases would not be reflected directly in the adjustment procedure, it was thought that a self-perpetuated spiral could be largely avoided.

[23] Not only were the income support (target price) levels indexed to total cost of production including a land charge, but the loan levels were also indexed to cost of production (minimum level set at 75 percent of total cost) as well. Some latitude was given the Secretary for maintaining competitiveness in world markets by allowing the loan under certain conditions to be based instead on world market prices.

The income support levels thus determined were thought not to influence producers' production decisions *among crops* as each afforded the same degree of protection relative to cost of production. Thus, producers could plan their operations based on market price expectations and not be tempted to "farm the programs" as had been done in the past.

In determining the appropriate price support levels, the level for corn was viewed as the key—to the levels for other grains and soybeans and to the long-term impacts on the livestock sector and food prices. The price support level was set at $2 per bushel for corn; other feed grains were set equivalent on a ton basis (that is, by adjusting only for bushel weight differences), and wheat was set equal to corn by adjusting only for weight and feed value differentials. The soybean support was set at 214 percent of the corn support level, near the traditional returns ratio of the two commodities. The cotton support was included as recommended by the industry (as represented by the National Cotton Council)—the smaller of 85 percent of the weighted average of the previous 4-year spot market price or 90 percent of the adjusted Cotton Outlook "A" Index (Liverpool price). The rice loan was set at $6.19 per hundredweight (cwt).

The proposed income and price supports for 1978 are shown below:

Commodity	Price support	Income support
	Dollars	
Wheat	2.25	2.60
Corn	2.00	1.75
Cotton	.51	.475
Soybeans	4.28	None
Rice	6.19	6.75

A major program flexibility included in the administration proposal was authorization granted the Secretary to adjust the loan levels *downward* in response to changing market conditions. In any year in which a "composite price" of all grains did not exceed the price support loan level by at least 5 percent, the Secretary could in the subsequent year reduce the loan level up to 5 percent. This novel feature was included to maintain competitiveness in foreign markets while also providing an added signal about market conditions to producers when formulating their production decisions.

Grain Reserves

The administration did not include provisions for a grain reserve program in its legislative proposal. USDA officials had determined that ample authority existed in permanent statutes for implementing a comprehensive grain reserve program. On April 4, 1977, the administration announced its intention to establish a producer owned and held wheat and rice reserve and, to encourage

participation, a liberalization of the farm-storage facilities loan program. This program enabled producers to obtain loans to construct onfarm grain storage facilities. This reserve program with multiple-level release prices proved to be the prototype for programs legislated later. (A reserve program for wheat was mandated, and a feed grain reserve was authorized in the final farm bill.)

Other Program Provisions

Supply Control.—The administration proposal continued the authority for production adjustment through set-aside of cropland when necessary. Under the current plantings concept, that set-aside was to be determined from current-year plantings rather than from some fraction of a fixed allotment as it had been in the past. That is, if a producer planted 100 acres when a 20-percent set-aside was in effect, 20 acres were required to be set aside. The more a producer planted, the more acreage was required to be set aside.

Disaster Payments Program.—The 1973 act had for the first time included a disaster payments program for the five major program crops. This program had been hastily developed, and a number of major flaws had become apparent during its operation in 1974-76.[24] Furthermore, the annual program costs of $400 to $500 million were greater than had been expected. There were many critics of the program, and widespread sentiment existed for a major overhaul.[25]

Because of insufficient time for development of a proposal for program reform, the administration sought a 1-year extension. This would allow time for a new program to be devised and presented to the Congress. Development of a nationwide, all-crop, all-risk insurance system was to be undertaken in 1978. The administration's bill thus sought only to eliminate the most serious weaknesses in the existing program.

P.L. 480 (Food for Peace).—The administration sought only minor modifications to meet the objectives of the existing program more effectively. The proposal modified the method of making allocations among recipient countries by increasing the current poverty criterion (per capita income of $300) to that established by the International Development Association (currently $520) to reflect inflation and changing economic conditions. An increase in the amount of assistance under Title II (from $600 to $750 million) was proposed along with provisions for unused funds to be carried from the previous year.

The administration finally proposed extending the program for 4 years (primarily to prevent disruption of multiyear programming) and planned a detailed study of the Nation's overall food aid and agricultural development assistance program. Following the study, new legislative changes would be proposed, if warranted.

The Food Stamp Program.—The new administration took a fundamentally different view of the domestic food aid programs than the previous administration which had publicly indicated its desire to have the program transferred from USDA to the Department of Health, Education, and Welfare (HEW).

Viewing consumers in general and low-income consumers in particular as part of USDA's clientele, the administration proposed modifications to improve efficiency in the Food Stamp Program, to reduce errors and potential for abuse, and to direct the aid to those needing it most. The proposed changes were to:

- Eliminate the food stamp purchase requirement to make it easier for eligible households to participate and simultaneously to sharply reduce black marketing, eliminate cash transactions, and reduce administrative costs.
- Reduce net income eligibility limits to the poverty line ($5,500 for a family of four) and reduce benefits for households with gross income well above the poverty line.
- Simplify and standardize deductions to improve program administration and help eliminate fraud.
- Eliminate categorical eligibility for welfare and Supplemental Security Income recipients.
- Strengthen investigation and punishment for fraud. Provide for tougher enforcement and administration of the food stamp programs by States.
- Tighten provisions on the emergency food stamp program.
- Require recipients who register for work to actively search for a job.
- Modify the definition of a food stamp household to prohibit persons living in the same house from obtaining separate allocations of food stamps.
- Authorize wholesale food concerns to accept food stamps only when absolutely necessary.

BUDGET OUTLAYS

President Carter's campaign promise to attempt to balance the Federal budget by fiscal year 1981 was a major influence in developing the administration's legislative proposal. Pursuit of that goal meant not only that budgetary considerations must be weighed in developing initial proposals but also that diligence would be required for the full 4 years.

[24] For a critique of the program's operation and a discussion of the weaknesses, see Thomas A. Miller and Alan S. Walter, *Options for Improving Government Programs That Cover Crop Losses Caused by Natural Disasters,* U.S. Department of Agriculture, Economic Research Service, ERS-654, Washington, D.C., March 1977.

[25] The Republican Party platform had included a suggested revision of the program, and former Secretary Butz had been highly critical of it. Secretary Bergland was also highly critical and had been widely quoted as saying the "current disaster program is a disaster."

Commodity Programs

Relative to other proposals that would be advanced, the administration's involved relatively small outlays (table 1). The income support payments were projected to average $369 million annually over the 4-year period. The addition of storage payment incentives for the producer-held grain reserve ($55 million annually), land diversion payments, and Commodity Credit Corporation (CCC) loan and inventory outlays brought the annual average outlays to $935 million. These estimates assumed "favorable weather" for crop production for the 4 years, hence large supplies and relatively low commodity prices.

Estimates were also made for "variable weather," that is, a weather pattern for 1978-81 similar to that which had occurred in 1972-75. Under these conditions, average annual outlays were estimated to be only $233 million (table 2).

Estimates had also been made for the Senate committee bill (S. 275) as it existed in early April (table 3). It contained considerable administrative flexibility, and thus could be "costed" as it was written or the Secretary, by assuming the administrative discretion provided, could hold down outlays. The projected average annual outlays were $4.1 billion (as written) and $2.7 billion (as administered). The House subcommittee's bill as later assembled (discussed subsequently) was estimated to involve outlays of $6.2 billion.

Table 1—Budget outlays for the administration's legislative proposal, 1978-81

Item	Crop years				
	1978	1979	1980	1981	1978-81 average
	Million dollars				
Income support payments	310	233	234	698	369
Diversion payments	——	——	144	——	36
Reserve storage payments	55	55	55	55	55
Loan and inventory outlays	1,163	315	+98	521	475
Total	1,528	603	335	1,274	935

—— = Diversion payments were not expected for these years.

Notes to table 1: Assumptions and procedures

Four consecutive years of weather favorable for crop production assumed. (The probability of this occurring is slight. Thus, outlays shown are probably near maximum.)

Income support rates in 1978 were set equal to *direct* costs of production (variable, machinery ownership, and overhead) plus management, plus a land charge of 1.5 percent of current market value. Beyond 1978, income support rates are adjusted for changes in direct costs only.

The wheat loan was set at $2.25 in 1978. The corn loan was set equivalent to the wheat loan, accounting for weight and feed value differentials. Other feed grain loans were set equal to the corn loan on a ton basis. Soybean loans were set at 214 percent of the corn loan. Cotton loans were set equal to the smaller of 85 percent of the weighted average of the previous 4-year spot market price or 90 percent of the adjusted Cotton Outlook "A" index. The rice loan was set at $6.19 each year. Whenever the all-season grain price index failed to exceed 105 percent of the loan rate, the loan rate was reduced; the loan rate was restored to its original level in the following year.

Income support payments were calculated as the difference between the season average price and the income support rate times the program yield times the income support program acreage. The wheat payment yield was the prior 5-year average yield adjusted for weather. The feed grain payment yields were the projected yield in the current year. The payment yield for cotton and rice was the prior 3-year average yield adjusted for weather. The acreage eligible for payment was determined by dividing projected domestic use and exports less imports by projected yield. Farm acreage eligible for payment was based on current-year planted acreage adjusted by the amount of production necessary to meet national needs, including any adjustment in stock levels.

A wheat and feed grain set-aside was implemented in 1979 and 1980. Wheat acreage totaling 5.5 and 8.0 million acres was set aside in 1979 and 1980, respectively. Feed grain acreage totaling 4.0 and 6.5 million acres was also set aside in 1979 and 1980.

Storage payments were made to producers participating in the farmer-owned reserve. Payment rates assumed were 20 cents per bushel for wheat and 65 cents per cwt for rice.

In years when loans were made, the outlay is shown. When loans were redeemed, the proceeds are shown as a receipt (+) to the Government. Estimates shown are net.

Rice is included as a program crop in these estimates.

Table 2—Budget outlays for the administration's legislative proposal, 1978-81

Item	Crop years				
	1978	1979	1980	1981	1978-81 average
	Million dollars				
Income support payments	208	11	1	——	55
Diversion payments	——	——	——	——	——
Reserve storage payments	60	60	30	——	38
Loan and inventory outlays	1,556	314	+1,089	+220	140
Total	1,824	385	+1,058	+220	233

—— = Payments were not expected in these years.

Notes to table 2: Assumptions and procedures

A domestic and world weather pattern for 1978-81 similar to that experienced in 1972-75 is assumed.

Other assumptions and procedures are as shown for table 1.

Table 3—Annual average budget outlay estimates for alternative legislative proposals, 1978-81

Item	Administration proposal	S. 275		House subcommittee proposal
		As written	As administered	
	Million dollars			
Income support/ deficiency payments	369	3,765	1,965	5,187
Diversion payments	36	----	25	43
Reserve storage payments	55	----	-----	56
Loan and inventory outlays	475	415	739	927
Total	935	4,180	2,729	6,213

—— = Payments were not expected under these legislation proposals.

Note to table 3: Favorable weather assumed for all proposals.

Other Programs

The Food Stamp Program outlays depended in large part on the health of the domestic economy. A sluggish economy with low gross national product (GNP) growth and high unemployment would mean more persons eligible for the program, hence higher outlays. The P.L. 480 and research programs[26] were not entitlement programs; their costs were more controllable and, thus, could be forecast more accurately. The average annual outlays estimated for these programs were:

Program	Million dollars
Food stamps	5,632
P.L. 480	1,100
Research	1,100*

*This estimate was usually shown as the expected outlay. However, this was really an authorization level and not an appropriation level. The actual outlays for the program would likely have been nearer $800 million.

[26] Although the administration developed provisions treating agricultural research, they were not included in the formal bill. Both the Senate and House bills contained research provisions. Because of space constraints, the research issue is not treated in this article.

THE PROPOSAL'S RECEPTION

It soon became apparent in the congressional hearings and from reactions of agricultural interest groups that the administration's proposal was not to be well received because of its relatively low level of income support. It had no chance of being adopted intact by the Congress, which was coming under increasing political pressure as economic conditions continued to deteriorate in the farm sector. After a few weeks had elapsed, Secretary Bergland acknowledged this lack of support in the House and Senate Agriculture Committees for the administration's proposal stating, "I had 5 votes in the House Committee," (which has 46 members) and "I didn't have any votes in the Senate Agriculture Committee."[27]

This lack of support prompted the administration to reconsider its price and income support levels. USDA proposed increases in the levels, and a meeting of the President and senior advisers was held on April 18 to review the situation and discuss these proposed increases. The discussion centered on the wheat target price and, rather than selecting one of the options presented, the President agreed to a $2.90 per bushel support level for wheat. This level represented increases in the land charge in the cost-of-production computation to 3.5 percent of current price. The President indicated that support levels for other commodities were to be set using the $2.90 wheat income support level as a basis. He further directed that this be done so that the proposal would not exceed a $2.0 billion annual average outlay for the 1978-81 crop years.[28]

The income support levels for the 1978 crops in the modified proposal were:

Commodity	Dollars
Wheat (bu.)	2.90
Corn (bu.)	2.00
Sorghum (bu.)	2.00
Barley (bu.)	1.70
Rice (cwt.)	7.20
Cotton (lb.)	.50

The changes in the proposal were estimated to add about $1.0 billion to the cost of the proposal, bringing the average estimated annual outlays to $2.0 billion. Of this amount, $1.2 billion were for payments and $0.8 were for loan and inventory outlays (recoverable outlays).

In announcing the revision, Secretary Bergland said:

> In a White House meeting last night, the President told me that it was apparent to him that the program we had proposed earlier needed changes to gain stronger support among farm groups on Capitol Hill. He also told me that such passage was vital to the economic welfare of farmers, to maintain export markets, and to assure stable consumer prices and adequate reserves of food.

The Secretary also warned that the estimated $2.0 billion total cost of the new proposal was "dangerously close to the Administration's spending limit" and that a program with higher total costs "faces a serious threat of veto." Secretary Bergland then returned to the committees to present the modified administration proposal.

COMMITTEE HEARINGS AND THE MARKUP PROCESS

Both the Senate and House Agriculture Committees held extensive hearings on replacement legislation before proceeding to the markup process.[29] A large number of witnesses appeared before the congressional committees in Washington, and many more had the opportunity to make their views known at field hearings conducted by individual and small groups of legislators in their respective districts and States. Both committees began hearings in late February that continued throughout most of March.

COMMITTEE HEARINGS

The Senate Agriculture, Nutrition, and Forestry Committee began hearings on February 22. During the course of 17 days of hearings, over 150 witnesses appeared—representing farmers, farm organizations, commodity organizations, agribusiness firms, consumers, the food industry, organized labor, environmental organizations, domestic and foreign poor, religious organizations, and

[27] "Carter Offers Farmers Concession," *The Washington Post*, April 20, 1977, p. 11.

[28] This $2.0 billion number was widely reported and interpreted by some to indicate that the President would veto *any* bill with outlays over this amount. Others interpreted this to include all CCC outlays and all other components of the agriculture budget (function 350). None of these interpretations was accurate, and the matter was perhaps never fully clarified. The $2.0 billion guide was internal—for administration officials' use in developing a modified (April 19) proposal. The $2.0 billion applied *only* to income support (deficiency) payments, set-aside and grain reserve storage payments, and CCC loan and inventory outlays for feed grains, wheat, rice, and cotton. It included neither disaster payments nor any other outlays associated with activities of the CCC.

[29] "Markup" is a term which describes the rather informal amendment process used by the committees in preparing the language of the bill to report to the parent bodies.

others. The hearing record[30] ran to over 1,800 pages, filling two volumes. The hearings were generally focused on two bills, the Talmadge/Dole Bill (S. 275) and the Bellmon Bill (S. 203), although statements of witnesses tended to be wide ranging.

The House Agriculture Committee approached the process of developing a bill somewhat differently. Rather than starting with a draft bill, the House first held hearings from February 17 through mid-March. A comparable number of witnesses appeared as for the Senate committee, and a hearing record[31] of comparable length (over 1,250 pages) was compiled.

SENATE COMMITTEE MARKUP

The Senate Agriculture Committee began markup sessions on April 19. The relatively small committee (18 versus 46 members for the House) proceeded through the process in a systematic and orderly manner. The staff had prepared a "Comparative Print,"[32] a document containing the provisions of the relevant bills on each topic, which greatly facilitated the process. The committee bill (S. 275) was treated as the "base bill"—the one which was to be amended if changes were desired. The "administration bill" was included in the print, explicitly providing the administration's initial position on each provision.

The committee began its sessions each day at 8:00 a.m. (prompting one Senator to remark that the committee was appropriately emulating the proverbial early rising habits of farmers) and normally remained in session for 2 hours. A transcript was made of the proceedings (though never compiled, edited, and published), and the staff kept a daily log of the decisions taken. The committee went through the provisions title by title and reached "tentative" decisions, which meant they could reconsider these later. For each provision, the staff member with responsibility for that area would explain the provision, first for S. 275, then for the other bills, noting how they differed from S. 275. The provisions were then discussed, amendments offered, and the decision taken. Most decisions were made by voice vote, but on key or controversial amendments, roll call votes were taken.

One or more representatives of the administration were always present to explain its position on each provision and on any amendments. Howard W. Hjort was the principal administration representative to the Senate committee. Other Assistant Secretaries joined him as provisions relating to their respective areas were considered. When costs were considered, staff from the Congressional Budget Office and USDA, in addition to the committee's staff person, were available to present estimates and discuss budget implications.

Although the committee generally met for only 2 hours each day, it usually generated enough work to engage its staff and USDA's staff throughout the rest of the day and often well into the night. The committee staff prepared summaries of each day's accomplishments and materials for consideration the following day. Hjort and his staff prepared analyses of amendments tentatively adopted or to be proposed, drafted amendments and explanatory materials, and prepared budget outlay estimates for presentation to the committee the following day. USDA's legislative liaison staff spent the time seeking support for the proposals favored by the administration.

During the markup, the various interest groups were also active, and very effective. They frequently used the afternoon and night to "undo" something done, and to which they were opposed, in a morning session. On several occasions, tentative votes would be taken on one day and then reversed the following day because of the lobbying efforts of these groups in the intervening period. These groups also provided information to sympathetic Senators and performed services such as drafting amendments for introduction or providing analyses of preferred positions.

Most committee members participated actively in the deliberations, and few operated from a totally fixed position such as that advocated by a home State interest or lobby group. As opposed to members of the House, all Senators have some farm constituency, and generally it is multicommodity; a few, however, are identified as being "one-commodity Senators." As the markup sessions were open to the public, overt partisan political rhetoric was heard occasionally and there was some political posturing solely for the "folks back home." This frequently occurred when budget outlay estimates were being discussed.

The committee did not have the staff capability to prepare detailed budget estimates for the complex programs, and it, therefore, depended upon the Congressional Budget Office, the Senate Budget Committee, and USDA for estimates. Budget outlays for the commodity program provisions were recognized as being of primary concern to the administration. The price and income support levels proposed by the committee involved outlays well above what the administration favored. Thus, when USDA presented cost estimates for committee provisions, the Republicans, led by Senator Dole, and joined by some Democratic members on occasion, attacked these estimates, charging that they were too high and that the committee was being "sandbagged."[33]

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[30] *Hearings before the Committee on Agriculture, Nutrition, and Forestry on S. 203 and S. 275,* General Farm and Food Legislation, Books 1 and 2, 95th Congress, First Session, U.S. Government Printing Office, 1977.

[31] *Hearings before the Committee on Agriculture,* General Farm Bill, Serial No. 95-N, Parts 1-4, and Food Stamp Program, Serial No. 95-D, 95th Congress, First Session, U.S. Government Printing Office, 1977.

[32] *Comparative Analysis of the Proposed Food and Agriculture Act of 1977 and Related Bills,*" Print 87-349, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, April 14, 1977, and *Comparative Analysis of Food Stamp Reform Legislation,* Print 87-643, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, April 26, 1977.

[33] Commodity News Service story, April 21, 1977.

Much confusion and controversy surrounded projections of budget outlay estimates during development of the bill, especially in the Senate. Outlays for the commodity programs are, of course, primarily influenced by economic conditions in the farm sector which, in turn, are largely determined by weather as it affects the size of both domestic and world crops. As the weather (hence, crop production and exports) cannot be predicted 4 years in advance with any acceptable degree of accuracy, future budget outlays must be projected contingent upon specific assumptions (either explicit or implicit) about future weather conditions.

Favorable weather means large crop supplies, relatively low prices, and consequently, large budget outlays. For unfavorable weather, the converse is true. Most budget outlay projections for the commodity programs were based on an assumed 4 consecutive years of favorable weather (the probability of which is near zero); hence, outlays tended to be near maximum amounts that could be expected.

Assuming different weather patterns (such as good, bad, good, bad) for the 4 years would involve an arbitrary selection from a large number of possibilities (24 in this case), and it is impractical to project outlays for all possible combinations. In some cases, the weather patterns occurring in 1968-71 and 1972-75 were assumed to provide an illustrative high-low range in possible outlays. For example, should the 1972-75 weather pattern recur for the 1978-81 crops, the actual outlays for the commodity programs in S. 275 could be as much as 80 percent below the amount projected.

The committee adopted the target price and loan level provisions in S. 275—target prices equated to total cost of production and loan levels linked to this (the minimum being specified as 75 percent of the target price). Other provisions in the committee bill gave the Secretary a considerable degree of discretion as to how the programs could be administered. Thus, there were really two bills to "cost"—the bill as written and as it would likely be administered (assuming certain discretionary authorities would be used) if it became law. The latter, of course, involved smaller outlays, as it would likely be administered to keep program costs consistent with administration policy.

Following the committee's tentative adoption of the commodity program provisions, the budget outlay estimates were prepared; Secretary Bergland then indicated that the provisions were unacceptable to the administration. He said that if these price and income support levels were retained in the bill eventually sent to the White House, it would be vetoed. The administration had preferred that lower levels be adopted, which would encourage the House to likewise show restraint. However, the concern then became that the House would follow the Senate's example and also adopt high levels. If this occurred, there would be no way to emerge from the conference of the two committees with the lower levels sought by the administration.

The Senate committee also completed markup of the Food Stamp Program provisions, the Food for Peace (P.L. 480) programs, and provisions for research and extension. The food stamp provisions were not new to the committee as, in the previous session of the Congress, it had completed action on food stamp reform. The committee had reported and the Senate had passed S. 3136 (the National Food Stamp Reform Act of 1976) in the 94th Congress, but the House failed to complete action—so the bill died. (The House Agriculture Committee voted to report H.R. 13613, but a rule was never granted allowing the bill to be brought to the floor.) The food stamp provisions in the Talmadge/Dole version of S. 275 restated the committee's previous position.

The major difference in the administration's food stamp program proposals from those of S. 275 was its elimination of the purchase requirement (EPR)—the requirement that some base amount of stamps must be purchased by each household in order to receive an additional amount of bonus (free) stamps. This proved to be the most controversial provision in consideration of Food Stamp Program reform.

The Food Stamp Program had been initiated as a pilot project (authorized by the Food Stamp Act of 1964) as an alternative to the direct distribution of surplus food commodities. Over the years, it had grown into the largest domestic food assistance program and an important component of the Nation's domestic income support system. By fiscal year 1976, the cost of the program had reached $5.7 billion.

During 1974 and 1975, there was widespread criticism of the program and a reform movement grew. Particular attention in the spring of 1975 was accorded the program's rapid growth; program participation reached nearly 19 million persons at that time. Critics of the program charged that a "food stampede" was underway and that as many as 25 million participants would soon be on the rolls unless prompt action was taken.

Program proponents accused Secretary Butz of attempting to discredit the program rather than trying to administer it effectively. Secretary Butz favored transferring the program from USDA to HEW, whereas proponents opposed such a shift. The Ford administration did propose some reform of the program through changes in the administrative regulations, but the Courts enjoined their implementation indicating that pending legislation was expected to effect necessary reforms. Although the Senate passed a reform bill in 1976, the House Committee reported bill (H.R. 13613) was never taken up on the House floor. Some observers speculated that this was apparently because its proponents feared the legislation would be vetoed by President Ford, and that the Congress could not override the veto.

The attitude of USDA officials in the new administration differed from that of the previous officials, and a high priority was accorded Food Stamp Program reform. The administration's proposal included elimination of

the purchase requirement—a measure sharply criticized by many who suggested it would eliminate any remaining ties to nutritional goals and thus be merely a cash assistance-income transfer program.

When the Senate committee turned to food stamps in the markup sessions, Senator Talmadge immediately raised the EPR question for first consideration. In calling for the recorded vote on the EPR amendment, he asked how many favored converting the program to a welfare program entirely and how many favored retaining it as a nutritional enhancement program. In a close vote, the committee adopted the administration's proposal eliminating the purchase requirement.

After this vote, the committee was able to quickly complete markup of the remaining noncontroversial provisions. It then adopted the entire marked-up bill and ordered it reported on May 13 (meeting the May 15 deadline).

HOUSE COMMITTEE MARKUP

After the House committee had concluded hearings, Chairman Foley on April 1 distributed responsibility among the various subcommittees for drafting portions of a new bill relevant to their respective areas. The committee leadership chose to draft their own bill for use in the markup rather than use the administration bill as a starting point.

Major interest centered on the Livestock and Grains Subcommittee which drafted provisions for the potentially expensive feed grain and wheat programs. The subcommittee first met on April 6, and 2 days later, it adopted price and income support levels to recommend to the full committee (reported to the full committee on April 20). The other subcommittees pursued their tasks and eventually provisions for all commodities emerged.

When the provisions drafted by the subcommittees were assembled, the projected budget outlays for the commodity programs averaged $6.2 billion annually. The relatively large outlays were primarily due to the target price and loan levels (below):

Commodity	1977		1978	
	Target price	Loan level	Target price	Loan level
	Dollars			
Wheat	2.90	2.50	3.20	2.50
Corn	2.18	1.65	2.40	1.80
Cotton	(No change)		.56	.51

These levels were so far above other proposals that if they had been adopted in the final bill, a veto by the President was certain. Recognizing this, Chairman Foley told the committee that he too was for helping the farmer, "But it won't help farmers for us to pass a bill the President won't sign."

Chairman Foley and Vice Chairman Poage, with USDA support, then developed a compromise set of target price and loan levels to bring before the committee. The compromise levels were estimated to require outlays of just over $2.3 billion annually. These were adopted by the full committee, but by only a one-vote margin. In a suspenseful roll call vote, Chairman Foley cast 13 proxy votes in favor of the compromise on which all but one member of the committee, who had "taken a walk," voted.[34] The compromise levels adopted by the committee are shown below.

Commodity	1977		1978	
	Target price	Loan level	Target price	Loan level
	Dollars			
Wheat	2.65	2.25	3.00	2.35
Corn	1.85	1.75	2.10	2.00
Cotton	(No change)		.56	.51

After adopting compromise price and income support levels, the committee turned its attention to other provisions of the commodity program. The various segments of the cotton industry had uncharacteristically been able to reach agreement on provisions that all could support in a new bill. The National Cotton Council (NCC) provisions were generally acceptable to the administration, and the methods of determining the target price and loan levels were included in the administration's bill. The only major provision which the administration did not favor was retention of the existing cotton acreage allotment system.

The NCC provisions had also been included in both the Senate committee bill and House subcommittee bill. The current plantings concept (and abolition of allotments) for wheat and feed grains had already been adopted in the Senate committee and would be in the House committee. There was thus growing sentiment to extend this concept to cotton in the House bill. Administration officials were meeting with cotton industry officials to urge their adop-

[34]It has been suggested that to gain the support of some urban members of the Congress for the more realistic bill, Chairman Foley dropped his opposition to the administration's Food Stamp Program provision to eliminate the purchase requirement. If true, this is a tangible example of the oft-mentioned rural-urban trades which would no longer be possible if the Food Stamp Program were removed from USDA. There were also other strategies being employed behind the scenes on this vote. A proposal to terminate the tobacco program was allegedly involved in some vote trading, and the Republican members of the committee were pursuing a strategy of their own. The Republican vote was heavily against the Foley-Poage compromise levels, which prompted some observers to suggest the strategy was to retain the higher, more expensive levels and force the President into a veto.

tion of this position, but these discussions as well as discussions within the cotton industry were not concluded before the House bill was reported. The cotton industry did, however, subsequently adopt the concept with some minor modifications, but only after the House committee bill had been reported.

During the week of June 16, Congressman David Bowen (Dem.-Miss.) introduced a bill containing the suggestions of the NCC's Producer Steering Committee to alter the cotton program provisions earlier adopted by the House committee. This bill (H.R. 7855) followed the House and Senate concept for wheat and feed grains of basing payments and program compliance requirements on current planted acreages rather than allotments. The Bowen bill also included a new provision which would eventually be adopted for feed grains and wheat as well. This provision specified that income support payments would be made on all production to a farm where the acreage planted was voluntarily reduced from the previous year by as much as that recommended by the Secretary.

Hearings were held on H.R. 7855 at which representatives of the administration testified in support. Markup was held by the Cotton Subcommittee on June 29, and it voted (6-0) to report the bill to the floor as an amendment to H.R. 7171. Adoption of the current plantings concept for cotton extended its use to all major commodities—allotments remained in use only for rice, tobacco, peanuts, and extra long staple (ELS) cotton.

The Oilseeds and Rice Subcommittee adopted provisions which largely continued the Rice Production Act of 1975 and which the full committee did not change. The committee accepted the administration's proposed modifications in the peanut program but substantially increased the level of price support.

The House committee had completed markup on the P.L. 480 provisions of the farm bill on April 21. The Domestic Marketing, Consumer Relations, and Nutrition Subcommittee, which has jurisdiction in the House for the Food Stamp Program, completed markup on the food stamp bill and reported it to the full committee in late April. However, there was insufficient time for the full committee to complete action on the food stamp provisions for inclusion in the House bill before the May 15 deadline. Instead, the committee included only a funding authorization for the program that met the technical requirements of the Budget Act, and it took up the Food Stamp Program later.

The full committee began markup of food stamp legislation on May 26. It concluded on June 22 after considering over 30 amendments requiring votes, including the controversial EPR which was adopted. The committee adopted technical amendments, the committee print, and finally a motion authorizing the chairman to introduce the bill which became H.R. 7940. On June 23, the committe met in pro forma session to adopt the bill and to seek a rule to substitute H.R. 7940 for Section XII of H.R. 7171 so that a unified bill could be considered on the House floor.

The House Agriculture Committee "tentatively" approved its version of the omnibus farm bill on Thursday, May 12, by a 38-6 vote.[35] The principal features of the bill included price and income supports for the major crops, an extended loan program for grains, expansion of agricultural research and Extension Service programs, and authorization for the Food Stamp and P.L. 480 programs.

SENATE AND HOUSE FLOOR ACTIONS

The agriculture committees of both houses met the May 15 budget process deadline for reporting bills to the parent bodies. The Senate committee had been more orderly and deliberate in its markup, and the bill was not expected to face serious attempts at major alteration on the floor. However, considerable action was expected on the House floor where significant changes in any reported bill are not unusual for that more diverse body.

SENATE FLOOR ACTION

The movement of the legislation in the Senate was fast-paced compared with the House. The May 15 deadline imposed by the Budget Act was met, and the Senate committee bill (S. 275) and accompanying report were printed and made available on May 17. The full Senate then took up the bill only 9 days later.

Secretary Bergland conveyed to the Congress the President's displeasure with the Senate committee's approved price and income support levels which were estimated to cost as much as $4.8 billion annually. The Secretary, when asked if he thought the President would veto the Senate committee bill if it reached the White House,

[35] As the House committee was not working from a previously introduced bill and was drafting its own, the vote was approval of the draft and instruction to the committee chairman to promptly introduce the bill. The bill was introduced, given a number (H.R. 7171), and immediately referred to the Agriculture Committee. The committee met on Monday, May 16, and voted to report the formal bill back to the full House, thus meeting the May 16 budgetary deadline (extended 1 day as May 15 fell on a Sunday) for all funding authorization bills.

responded, "I have never been so sure of anything in my life."[36]

The repeated veto threats from the White House drew a varied response from interest groups, the Congress, and others. Members of the National Grange, usually less reactionary than the other general farm organizations, were provoked. Representatives from the Grange charged that President Carter was for insuring farmers their cost of production before the election but against it afterward. John Scott, Grand Master, said the Senate version of the bill "keeps the President's original promise."[37]

The National Association of Wheat Growers' (NAWG) President Don Howe issued a statement on May 27 saying, ". . . the U.S. Congress should not be armtwisted by White House veto threats of proposed farm legislation." NAWG members thought that target and loan levels in the Senate committee bill were at "minimum levels" to meet the critical needs of wheat producers. Howe stated, "Wheat prices have been below the cost of production for the past 11 months, and this could be the last year that many producers are able to hang-on."[38]

Senator John Melcher (Dem.-Mont.), a critic of the Carter administration farm policy, called the veto threats "hot air." He argued that the President would not veto a bill ". . . that saves the Government $871 million on peanut program costs over the next five years just to avoid a $400 million exposure on wheat target prices."[39]

Senator Dole was also expectedly critical of the administration's policy stance and the estimate of budget outlays for the Senate committee bill. Within the President's own party, Senator McGovern was also critical of USDA outlay estimates for the Senate bill. McGovern stated that administration cost estimates were related to best possible weather and worst possible market conditions over 5 consecutive years:

> While it might be reasonable to believe that those conditions could prevail for just one year out of the five, it is absurd to make decisions based on the historically inaccurate USDA predictions of yields and market conditions. If the administration would apply the same 'maximum exposure' theory to shoot down Pentagon programs, we could save more than enough to operate our farm program and build badly needed water projects in our Western States.[40]

[36] *The Washington Post,* Friday, May 13, 1977, p. A13.
[37] *Washington Farmletter,* No. 1757, June 3, 1977, p. 1.
[38] "Report from Washington," No. 20, National Association of Wheat Growers, May 27, 1977.
[39] *Washington Farmletter,* No. 1757, June 3, 1977, p. 1.
[40] "Veto the Farm Bill," *Wall Street Journal,* June 6, 1977, p. 16.

The newspaper editorials generally favored the President's approach to the farm bill, especially holding down budget outlays. Typical was the *Wall Street Journal* editorial, which concluded:

> . . . Congress is in the final stages of writing a farm bill for the next five years based almost entirely on pressures from the wheat belt, from militant farm groups such as the National Farmers Union, and, bless their souls, a group of Republicans still smarting over the way Democrats booby-trapped a farm bill to force a veto from President Ford last year. It simply won't do. The President will win more friends than he will lose if he throws it out.[41]

Senator Lloyd Bentsen (Dem.-Tex.) proved to be prescient in his observations. He suggested that the measure finally sent to the White House would contain price and income support levels below those in the Senate bill but above those in the House bill, and that the President would sign it.

Rumors of various amendments which would be offered to the bill abounded in the days just prior to Senate action. The administration had appraised the Senate situation and decided that any initiative to modify the bill more to its liking would not be successful. The administration would instead have to obtain changes which it favored in the House and in the conference committee.

As budget estimates for potential outlays exceeded the amount in the first concurrent budget resolution for FY 78 (covering the 1977 crops), the Senate Budget Committee was concerned. Its chairman, Senator Edmund Muskie (Dem.-Me.), mounted a challenge (with tacit administration support) to the bill reported by the committee.

The first amendment Muskie offered was to reduce the 1977 target price for wheat from $2.90 to $2.65, which would have cut potential budget outlays (exposure) by about $475 million. The floor debate was emotional at times and involved the larger issue of the integrity of the budget process itself which the Congress was using "in earnest" this session after earlier experimentation. The budget process, the cost of the wheat program, and the depressed economic conditions in the wheat belt were all argued in the debate. The amendment was narrowly defeated by a 50 to 46 vote.

A second amendment would have reduced the loan and target levels for wheat and feed grains to the levels proposed by the administration for 1978 through 1982 (the Senate bill was for 5 years). The fate of this amendment was largely sealed after the earlier vote on the first amendment; it failed on a 51 to 43 vote.

During the floor debate, 39 amendments were offered to the bill. (The amendments are shown in appendix B.) Two new titles were added, one of which was the "Wheat

[41] *Ibid.*

and Wheat Food Research and Nutrition Education Act," already included in the House version of the bill. USDA objected to the original version of the "Wheat Foods" bill but indicated the bill would not be opposed if certain modifications were made. These changes were subsequently made in the House committee, and the administration reluctantly supported the proposal, although some top USDA officials were generally known to oppose generic advertising of food products. The amendment was adopted by the full Senate.

The second title was added by an amendment proposed by Senator Dole to include the Senate's proposed change in the Federal Grain Inspection Act in S. 275. His primary motivation was to advance the grain inspection legislation, as the House did not intend to take up amendments to the act until it had completed consideration of the "farm bill." The grain inspection amendments included in S. 275 modified recordkeeping and conflict-of-interest provisions and provided for full Federal funding of supervisory weighing and inspection costs. Provision was also made to prohibit dark, hard, vitreous kernel (DHV) determination (an indicator of protein content) on hard red winter wheat.

Completing consideration of all amendments, the Senate then moved to final passage of the bill, approving it on May 24 by an overwhelming 69 to 18 vote.

HOUSE FLOOR ACTION

After several delays, the House committee bill (H.R. 7171) was finally scheduled for floor consideration on July 19. Over 60 amendments to the bill had been filed by this time; the floor debate would eventually consume 38 hours over 8 days, a record for a single bill in the first session of the 95th Congress. The number of amendments and the wide-ranging debate prompted Representative John M. Ashbrook (Rep.-Ohio) to take the floor at one point and inquire if the bill had ever been to committee!

The House committee had completed markup of the Food Stamp Program provisions and reported them as bill H.R. 7940. This bill would be substituted into H.R. 7171 and become Title XII. Also, the "Bowen bill," H.R. 7855, which contained revised cotton program provisions, was reported and substituted by amendment for the provisions already in H.R. 7171 as Title VI.

After the Senate committee had reported its bill, the House bill became the only avenue for obtaining legislation acceptable to the administration. Administration officials had worked closely with the House leadership and, although the committee bill contained some provisions to which the administration objected and budget outlays greater than it preferred, the bill was generally thought to be acceptable to the President. Paring the cost nearer to that preferred by the administration through the Foley/Poage compromise price and income supports had been a key action. However, economic conditions in the farm sector continued to worsen. Prices declined as a bumper wheat crop was harvested and favorable growing conditions portended a large harvest of other crops. Momentum appeared to be building in the House to increase the price and income supports to levels nearer those in the Senate bill for 1978-81, and to increase the House committee reported levels for the 1977 crop.

Additionally, other amendments the administration opposed appeared to be gaining support. Congressman E. (Kika) de la Garza (Dem.-Tex.) sponsored a floor amendment to mandate a price support loan program for sugar; Representative Paul Findley (Rep.-Ill.) attempted to reduce the payment limit to $30,000; Representative Dawson Mathis (Dem.-Ga.) supported an amendment to place a "cap" on Food Stamp Program expenditures; and an amendment had been offered to lower the price support level for the peanut program (to levels originally proposed by the administration). Adoption of higher price and income supports which would significantly increase required budget outlays and/or adoption of some cumulation of the objectionable amendments would mean a likely veto.

Led by Congressmen Glenn English (Dem.-Okla.) and Keith Sebelius (Rep.-Kans.) of the House Agriculture Committee, a coalition of Democratic and Republican congressmen from wheat and grain States formed to push the fight for higher 1977 target price levels. It was generally agreed after administration and congressional assessments that the coalition proposal could win on the House floor as a result of support from farm State congressmen and Republicans eager to test the President's veto threat. The implication was that if the coalition obtained a victory on the 1977 levels, the chances of increasing the 1978-81 levels were also much greater.

Chairman Foley contacted the President on the morning of July 19 to apprise him of the situation. Foley suggested that to avoid a bitter floor fight and almost certain increased levels for 1978-81, the administration should support some increases for 1977. The budget implications of the proposed increases were for additional net outlays of $343 million in FY 78 and $100 million in FY 79 and 80. After conferring with Secretary Bergland and other advisers, the President decided to support the target price increases for the 1977 crops, but with certain provisos: These were (1) Chairman Foley's fully supporting amendments giving the Secretary authority to reduce the price support loan levels for wheat and feed grains when supplies are excessive and the levels interfere with competitiveness in world markets (this provision was in the original administration bill), and (2) granting the Secretary authority to require farmers to reduce the acreage which is normally planted to crops by the amount of any acreage set aside as a condition of eligibility for payments and the loan program.

Mr. Foley accepted the provisos.[42] It was agreed he would introduce the amendment to increase the 1977

[42] This was called by Karen Elliott House writing in the *Wall Street Journal*, ". . . the most important deal in the farm bill's evolution." "How Representative Foley Played a Key Role in Shaping Disputed Farm Bill," *Wall Street Journal*, September 14, 1977.

target price levels and, by doing so, perhaps deflate the efforts of the coalition. The agreement between the President and Mr. Foley was not made known publicly before the vote. Mr. Foley's quick introduction of the English-Sebelius amendment came as a surprise to many House members, but it was summarily adopted. The signal given by Mr. Foley's action was that the President had agreed to some budgetary increase, but that he would not go along with any increase in the support levels for subsequent years.

On the final day of House floor action, several important roll call votes were taken. One was on the amendment by Congressman de la Garza that mandated a price support program for sugar at between 55 and 65 percent of the sugar parity price. There was a long history behind this amendment, and it was to prove to be a late, but major, hurdle to overcome in passage of the bill.

The United States had a sugar program for domestic producers from the depression of the thirties until the end of 1974 when the program had been allowed to expire. Sugar prices had reached record levels in 1974 but plummeted thereafter, and some beet and cane producers were experiencing financial hardship. Furthermore, during the time when sugar prices were high, several farmer cooperatives had been organized to purchase their own processing facilities and, since sugar prices had fallen, were in danger of bankruptcy.

After the expiration of the sugar program in 1974, the United States had only a global import quota (set at 7 million tons, too high to be effective) and a small tariff (0.625 cent per pound). In the midst of the Presidential campaign (on September 22, 1976), President Ford had tripled this duty to 1.875 cents. In late 1976, Senator Russell Long (Dem.-La.), Chairman of the powerful Senate Finance Committee, had petitioned the International Trade Commission (ITC) to investigate the allegation of injury to domestic producers from imported sugar. Reporting on March 17, 1977, the ITC found "that the domestic sugar industry is being threatened with serious injury by increased imports. . ." and recommended to the President that he establish annual quotas of 4.275 million tons to be allocated on a country-by-country basis for 5 years' duration. This reduction in the quota would restrict the supply sufficiently to cause the domestic price to increase to 13.5 cents per pound, the national average cost of production for domestic producers.

The President elected not to accept the recommendation of the ITC but rather to aid domestic sugar producers through a direct payments program. This approach was taken because a lowered quota would have been inconsistent with the U.S. position in several international forums of urging liberalized trade in agricultural products. Also, assignment of quotas on a country-by-country basis would have created obvious difficulties and unnecessarily generated international political ill-will for the new administration. This program, announced on May 4, provided that payments to processors be passed through to producers to ensure that they received 13.5 cents per pound. This program covered only 1977 crop sugar and was not applicable to stocks on hand.

Before announcement of the program, the lawyers of USDA's Office of General Counsel gave their opinion that the program was legal. But, on July 19, the Comptroller General, in response to an inquiry from Representatives Findley and Madigan (Rep.-Ill.), issued a ruling that the sugar payments program exceeded the existing legal authority. USDA then requested a ruling from the Attorney General, but this ruling would not be made until several weeks later. Thus, at the time the House was in the final stages of debate on the "farm bill," the sugar payments program was in legal limbo.

The United States had also been actively participating in negotiations for a new International Sugar Agreement (ISA). Meetings early in 1977 had concluded unsuccessfully, but the United Nations Sugar Conference had been rescheduled to convene on September 12, and the prospects appeared favorable for successful conclusion of an agreement. The frequently discussed price floor of 11 cents, after addition of freight, insurance, and the headnote tariff, would bring the domestic price to 13.5 cents, accomplishing the same objective as the program proposed by de la Garza.

The administration attempted to defeat the de la Garza amendment but failed.[43] The amendment passed by a 225-159 vote, a surprisingly wide margin. Although there was still a technical possibility of avoiding the program since S. 275 had no comparable provision—it was technically possible to delete the entire amendment in conference—the size of the vote was seen as making this highly unlikely.

Congressman Richard Nolan (Dem.-Minn.) had sponsored an amendment which was thought to have provided a legal basis for the administration's sugar payments program. This amendment would have overcome the legal objections cited in the Comptroller General's ruling, but the amendment was defeated in a recorded vote of 238 to 173.

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[43] The de la Garza amendment was opposed because it would have raised the price to above 14 cents immediately and required either tariffs or quotas to implement. Both protectionistic measures would create difficulties in international relations. The consumer price impacts and inflationary pressures were also greater for a price support than for a payments program. This amendment was also widely viewed as another attempt to force the use of quota limitations, which would set a precedent that would be used in arguing for quotas on imports of industrial goods.

Earlier attempts had been made to attach amendments to the agriculture appropriations bill to bring the sugar program under the payments limit, which would have in effect made the payments program inoperative. Senator Dole had been successful in such an effort in the Senate, but a similar effort in the House by Representative Findley had failed. The provision in the Senate bill was subsequently deleted in the conference on the appropriations measure.

There were some 70-odd amendments considered on the House floor before the final vote on the bill. (These amendments are listed in appendix C.) On July 28, the vote for passage was 294 to 114.

ADMINISTRATION STRATEGY

The administration's concern over the course of events prompted a White House meeting of the President's senior advisers on July 27, the next-to-last day of the House floor action. This urgent meeting was called to assess the House action and to plan for the conference committee which would convene immediately after the House completed action on the bill. The air of urgency was occasioned by the congressional leadership's plan to move a bill to the President before the fall congressional recess, scheduled to begin on August 5.

At this meeting, the provisions of the House and Senate bills were examined individually and two lists were prepared. The first was a "must" list, containing key items which the group agreed must be resolved to the administration's satisfaction or which would result in a unanimous recommendation by the senior advisers that the President veto the bill.[44] Stated in this way, the administration's concern could be conveyed to the Congress (the House and the conferees) without irrevocably committing the President to a course of action. The second list, tagged the "sinking ship" list by Secretary Bergland, contained a larger number of items which, if jointly or in large part, were not resolved to the administration's approval would "sink the bill." No one item was important enough alone to be put on the "must" list, but some cumulation of these items (number left unspecified) would make the bill so objectionable as to warrant a veto recommendation.

THE CONFERENCE COMMITTEE

The conference committee is one of the most influential, and yet least known or well understood, procedures of the Congress. In recent times, perhaps 10 percent of the enacted laws have been products of the conference committee, including most comprehensive bills and appropriation bills. Its importance in the legislative process has led to its being called "the third house."

THE ROLE OF CONFERENCES

The conference process has been described well by Ward Sinclair in *The Washington Post*:[45]

> By itself, the Process is simple enough. The House passes a bill, the Senate passes a different but similar bill. But before the bill can become law, the differences must be resolved.
>
> Each Chamber selects a delegation, usually members of the committees that worked on the bills, to iron out the differences. Technically, they hold a Conference, and those who do the conferring become Conferees.
>
> That is the theory. In practice, House-Senate Conferences diverge from the textbook and become somewhat far different.
>
> In their lowest form, they are brawling, ego-driven tests of will, wrenching clashes of philosophy, muscle and politics.
>
> It is a process that gives us a phenomenon of this and practically every December, or every period in which the Congress is rushing to a recess—governance by the few in the arena of the Conference.
>
> An it is a process controlled almost without exception by the marathon runners of Capitol Hill, stalwarts who know the roadmap of negotiation by heart in the dark and use the pressure cooker of a running clock with adroitness.

When both houses have passed different bills on the same subject, the first body to complete action sends its "engrossed bill" to the second body. It is then usually amended and returned to the first body which has the options of: (1) concurring in the second body's amendments, (2) further amending and returning the legislation to the other chamber, or (3) disagreeing with the amendments and requesting a conference. A conference can be requested only by the body having the engrossed bill and amendments in its possession, and the body requesting the conference has the final consideration of the resulting conference report.

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[44] Although the threat of a veto is often used (and recognized) as a form of restraint to secure legislation more in accord with the administration's goals, the seriousness of the threat was uncertain in this case. This was due in part to the "new" President's being somewhat of an unknown quantity, and his response, therefore, unpredictable. Also the Congress had never successfully overridden a Presidential veto on major agricultural legislation, and the congressional leadership publicly acknowledged that it would be unable to do so should the President veto this bill.

[45] Ward Sinclair, "Hill Conferees—Governance by the Few—Theory and Practice," *The Washington Post,* December 11, 1977, p. 1.

The conferees or "managers" are elected by the Senate (in practice, appointed by the presiding officer on recommendation by the committee chairman who handled the bill). In the House, they are appointed by the Speaker, also with the committee chairman's recommendation. The conferees usually include the committee chairmen, senior majority and minority members, and other members extensively involved with the bill, with the number varying from bill to bill.

Prior to the era of reform, conferences were held in executive sessions, that is, closed to the public, and no transcripts of the proceedings were made. In recent years, the proceedings have been opened to the public unless a majority of the delegates of one body votes to close the meetings. Even when proceedings are open, transcripts are still not made for most conference committee meetings. This enables floor amendments, which members may have found difficult to oppose publicly, to be quietly deleted and with greater anonymity in the conference.

The actions the conferees may take are governed by a complex set of rules, which in practice are frequently circumvented or waived. As the House did with the "farm bill," it is common for one body to substitute in entirety its own bill after striking the complete text of the other body's bill following the enacting language. When this occurs, the entire bill may be rewritten by the conferees. But, before a compromise provision can become a part of the "conference compromise bill," a majority of *each* body's delegates must agree to the provision.

The general rules constrain the conferees to treat only areas of disagreement between versions of the two bills. Conferees are prohibited from striking or amending any provisions of the bill not amended by the second body (when an entire bill is substituted as noted above, this is not a limitation). Also, new provisions not relevant to resolving differences in a bill's two versions may not be introduced. Compromise must prevail on conflicting provisions; for example, numerical values in the final version must be or fall between values in the original versions. For provisions which are identical and to which both bodies have agreed, changes are prohibited unless specific permission is given by concurrent resolution of both bodies.

Bargaining, posturing, horsetrading, logrolling, compromising—all are practiced as art forms in conferences. The objective is, of course, to obtain final provisions acceptable to members of both Houses and to the White House. Conference decisions cannot be amended when returned to the parent bodies; therefore, bad compromises can result in rejection of the entire conference report.

The results of the conference committee are contained in a jointly prepared conference report which details the compromises. The report is signed by a majority of the conferees. In cases where agreements could not be reached on certain provisions, these provisions "in disagreement" are reported, and each body takes them up separately. The provisions can be confirmed on the floor of both houses, or the conference procedure can be repeated for these provisions. The end result must be identical versions before the bill can be passed.

The conference report cannot be amended by either body and must be accepted or rejected in entirety. The body which agreed to conference and has first consideration may reject the report and recommit the bill to the conference by a majority vote. If the body accepts the report, the burden of approval then shifts to the other body which requested the conference. Should the second chamber reject the report, the bill is dead unless a concurrent resolution of both Houses to recommit the report to conference is passed. If the second body also approves the conference report, final passage of the bill is completed.

The conference bill (report) is prepared in the body where the bill originated, and it is given the bill number of that body (for example, the "farm bill" was S. 275 rather than H.R. 7171). The bill is certified by the Clerk in the originating body, then signed by the Speaker of the House (first) and the President of the Senate. It is then an "enrolled bill" and sent to the White House for Presidential action.

THE CONFERENCE ON S. 275

The Senate initiated and first completed action on the "farm bill." Its bill (S. 275) was then sent to the House as an "engrossed" bill. When the House had completed action on its bill (H.R. 7171), the final action was an amendment offered by the bill's floor manager, Thomas Foley, to strike all text after the enacting clauses and to substitute the entire language of H.R. 7171 for S. 275. Thus, two versions of S. 275 then existed—the Senate version and the House version. (The original House bill H.R. 7171 was then tabled simply to dispose of it.) With two versions of S. 275 existing and differing substantially on certain provisions, a conference was then requested by the House.

The conference on S. 275 convened on August 1 with the members noted in appendix D. Staff members of the two committees were also in attendance as were administration representatives from USDA. The conferees were facilitated in their work by a published "Statement of Difference" which contained the provisions of both bodies and indicated the differences.

While there were over 500 differences between the two bills, most were relatively minor. Only a few were to prove difficult, but these occupied much of the conferees' time. These included (1) the level of target prices and loans for the 1977 and 1978 feed grain and wheat crops, (2) the method of adjusting the 1979 and subsequent years' targets and loans, and (3) the mandatory sugar program provisions in the House bill.

The target prices in question in both bills are shown below. (Support levels for cotton, rice, peanuts, and wool were readily adopted on the first day.)

Commodity	Senate Bill		House Bill	
	1977	1978	1977	1978
	Dollars			
Wheat	2.90	3.10	2.90	3.00
Corn	[1] NC	2.35	2.00	2.10

[1] NC indicates no change.

The conferees agreed to the $2 target price and loan for 1977 crop corn and to a $2 loan and $2.10 target for 1978 in the House bill. Both bills had a $2.90 wheat target for 1977, but a stalemate arose over the 1978 level. The disagreement prompted a visit to the conference by Secretary Bergland in an attempt to resolve it. A compromise suggested by Senator Humphrey—determining the target price by the size of the 1978 crop—$3.05 if less than 1.8 billion bushels, and $3 if more—was finally adopted. (This compromise was actually suggested by an observer who scribbled it on a piece of paper and passed it to Senator Humphrey.)

The procedure for adjusting target and loans in 1979 and thereafter was on the administration's "must" list. The Senate positions were unacceptable, and the conferees voted to accept the House provisions which were identical to those in the administration bill.

The other major area of disagreement was the de la Garza amendment mandating the price support program for sugar. Under the rules of the conference, the latitude for compromise on this provision ranged from completely striking the provision (as the Senate bill had no similar provision) to adopting the House language without change, with any compromise between quite permissible. The administration favored deletion and had included this on its own "must" list, but the vote by which the amendment was approved in the House made deletion highly unlikely. Deletion would have endangered the entire conference report—the House would possibly have voted to reject the report if the entire provision had been deleted. However, leaving the provisions unchanged certainly increased the chances for veto of the entire bill. Thus, the stage was set for the compromise which finally resulted on the fourth day.

The compromise set the minimum price support at 52.5 percent of the sugar parity price with 13.5 cents as an absolute minimum. The upper limit was set at 65 percent of the parity price. Another part of the compromise was that the Secretary could suspend the program in the event that an International Sugar Agreement was successfully concluded and if it resulted in a domestic price of at least 13.5 cents per pound. The Secretary was also directed to set minimum wages for sugar fieldworkers.

The conferees met for 5 full days (including 3 long evening sessions) and eventually produced a 280-page conference report. The conference tentatively completed action on August 5 (a Friday), the day before the beginning of the fall recess which would last until September 7. The Congress had been expected to take final action and have an enrolled bill to the White House before the fall adjournment, but that deadline was not met. Thus, the conferees voted only *tentative* approval of the report and planned to take conclusive action immediately upon their return. In the interim, the staff would ready the report for printing upon its adoption.

FINAL CONGRESSIONAL AND EXECUTIVE BRANCH ACTIONS

The conferees returned on September 7 and voted to finalize the report and return it to both houses for final consideration. The Senate was the first house to take conclusive action on the bill.

FINAL CONGRESSIONAL CONSIDERATION

A challenge to the conference version of the bill developed in the Senate when it returned from the fall recess on Wednesday, September 7. Led by Senator Edmund Muskie, chairman of the Budget Committee, the conference bill was attacked for exceeding the spending limits proposed by the Budget Committee in the Second Concurrent Resolution.

Under the Congressional Budget Act, the Congress is required to adopt, by September 15, the second resolution which sets spending and revenue limits. Once adopted, these limits are binding on further congressional actions for the coming fiscal year. On August 4, the Senate Budget Committee had approved a resolution which set the total Government spending limit at $459 billion for FY 78 (beginning October 1, 1977). Receipts were estimated to be $395 billion, leaving a deficit of $64 billion.

At the time of the Budget Committee action, Senator Muskie was critical of both the Congress and the administration for adopting farm commodity programs which made projected outlays exceed the limits for the agriculture function of the budget. The budget resolution reported by the committee for consideration of the full Senate allocated $5.6 billion to outlays for the agriculture function which included the CCC price support and payments programs, agricultural research, and certain operational costs of USDA. However, the Congressional Budget Office had estimated that FY 78 outlays for function 350 would total $6.3 billion, which exceeded the ceiling by $0.7 billion because of commodity program provisions contained in the conference reported "farm bill." The excess outlays were due primarily to higher target price payments for wheat.

The Senate Agriculture Committee leadership, aware of the impending conflict, had sought to have the allocation increased when the Budget Committee was preparing the resolution. This attempt was rejected, and instead, a provision was included which, if the resolution had been adopted, would have directed the Agriculture Committee to revise the "farm bill" to reduce projected outlays. That is, when the Budget Committee's recommended resolution came to the full Senate for consideration, its passage, in this case, would have meant recommitting the farm bill to the House-Senate conference committee to reduce the FY 78 budget exposure by at least $700 million to conform to the limit ($5.6 billion) in the resolution.[46] Such a challenge had apparently never before been attempted under the Budget Act.

When the budget resolution came before the Senate, a floor amendment was quickly offered to increase the FY 78 outlays by $700 million (to $6.3 billion). Senator Talmadge offered the amendment for himself and 37 other Senators. They contended primarily that the validity of the budget estimates was doubtful, emphasizing the inability to estimate the outlays accurately. The factors which affected the actual level of spending—weather, yields, and the extent of program participation by farmers—were noted along with the suggestion that changes in any of these factors could mean that much less than $6.3 billion would actually be expended on the programs. In contrast, Senator Muskie cited a new "unofficial" USDA estimate of budget outlays for FY 78 which indicated the shortfall was *not* $700 million, but rather $3.1 billion, because the total for the function now reached $8.7 billion.[47] The Talmadge motion carried by a vote of 64 to 26, thus preempting the challenge to the conference version of the bill. The Senate then proceeded to pass the Second Concurrent Resolution by the vote of 63 to 21. The conference report on S. 275 was then brought before the Senate on Friday, September 9, and passed by a vote of 63 to 8.

No attempt was made in the House to mount a budget challenge to the "farm bill," and the $6.3 billion limit was approved by the House. However, in debate on the floor before the vote, Congressman Robert Giamo (Dem.-Conn.), chairman of the House Budget Committee, called the "farm bill" a "spending problem" and "a classic reason why the budget deficit is so high." He exhorted Secretary Bergland to administer the bill in such a way as to hold down outlays for the programs. In contrast, Congressman Charles Grassley (Rep.-Ia.) rhetorically asked how the House could vote to limit aid to domestic agriculture while "giving away billions of dollars to the rest of the world" in foreign aid programs.[48] The House approved the conference committee bill on September 16 by a vote of 283 to 107.

FINAL EXECUTIVE BRANCH ACTION

The enrolled bill was delivered to the White House on September 22. Once a bill is delivered, the President has 10 days (excepting Sundays) to take action on it. The options available to the Chief Executive are:

- Accept the legislation, writing "approval," signing, and noting the date.
- Do nothing in the event the Congress is in session. The bill becomes law after the 10th day if no action is taken. This is sometimes done to indicate a negative view of the bill when it may be politically untenable to embrace the bill, or it is sometimes done when serious constitutional questions may surround the legality of the bill.
- Do nothing. This "pocket veto" can occur when the President fails to act on the bill, but only in the event the Congress is not in session after adjournment at the end of the second session.
- Veto the bill, returning it to the Congress with a "veto message," giving reasons for the veto.[49]

The enrolled bill is handled by the Office of Management and Budget (OMB) in the Executive Office of the President. OMB circulates the bill to all concerned agencies asking for their views and their recommendations to the President as to whether the bill should be signed or vetoed. These statements are then summarized and included in an "enrolled bill memo" which is then sent to the President.

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[46] Technically, once the budget resolution is adopted, any bill coming before the body is subject to challenge (by a point of order) from any member if its budget outlays are estimated to exceed the amount in the resolution for that function. In this case, the Budget Committee had been aware of the "farm bill" conflict and in defeating attempts to increase the limit in the committee had inserted the provision specifically addressed to that bill.

[47] The Budget Committee had written USDA and the Office of Management and Budget (OMB) requesting their most recent cost estimates for FY 78. The formal USDA response containing the revised (and larger) estimates had not reached Senator Muskie, but he had been told by phone of the magnitude of the estimates. The formal response was a letter, dated September 9, from Secretary Bergland.

[48] "House Passes Farm Bill," *The Journal of Commerce,* September 19, 1977, p. 7.

[49] A vetoed bill is returned to the originating body and, as privileged business, may be reconsidered immediately. A two-thirds majority of the members present and voting (if constituting a quorum) is necessary to override the President's objection and make the bill law. A vetoed bill may be returned to the appropriate committee with no floor action taken, but this occurs when little or no sentiment exists to override the veto. After a successful vote to override in the first chamber, the procedure must be repeated in the second chamber, which must also vote to override for the bill to become law.

The enrolled bill memorandum contains a summary of the bill, the views of agencies concerned, the estimated cost, and any other information relevant to the decision. In addition to this formal input, the President receives personal recommendations from his senior advisers and from the Domestic Policy Staff, which assesses the political implications of the bill.

For S. 275, the enrolled bill memo was not submitted to the President until late afternoon on the ninth day after receipt at the White House. Although there was little suspense surrounding his decision, the President had remarked to Chairman Foley only the day before the signing ceremony that he had not yet decided whether to sign the bill.

The signing ceremony for S. 275 was held on Thursday, September 29, in the White House Rose Garden. The 85 to 90 people attending had been specifically invited by the White House and included groups affected by the bill, key Congressmen and Senators from the agriculture committees, USDA officials, and people from both the administration and the Congress who had been instrumental in developing the bill. The event was covered by the agricultural and national press.

A formal signing statement had been prepared for the President, but he chose to use it only as a briefing piece and spoke extemporaneously. Stating that ". . . in the last 40 years there has never been such a far-reaching and important piece of legislation passed relating to American agriculture. . . ," President Carter signed the Food and Agriculture Act of 1977 (Public Law 95-113) on September 29.

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(16) Volger, David J. *The Third House: Conference Committees in the United States Congress,* Evanston: Northwestern Univ. Press, 1971, 133 pp.

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APPENDIX A

SENATE BILLS WITH PROVISIONS RELATING TO THE FOOD AND AGRICULTURE ACT OF 1977 (S. 275)

Bill	*Sponsor*	*Subject*
S. 6	Leahy	Dairy Price Support
S. 8	Dole	Rural Development/Watershed Projects
S. 12	Dole	Rural Development/Watershed Projects
S. 90	Nelson	Dairy Price Support
S. 248	Dole	Food and Agricultural Research
S. 322	Abourezk	Disaster Program Provisions
S. 380	Dole	P.L. 480 Amendments
S. 441	Packwood	Rural Development/Watershed Projects
S. 442	Packwood	FIFRA–Inclusion of agriculture and human nutrition among the basic functions of USDA
S. 463	Melcher	Animal Health Research
S. 497	Dole	Disaster Program Provisions
S. 505	Bellmon	Grain Storage Facilities Loans
S. 529	Humphrey	Dairy Price Support
S. 746	McGovern	Commodity Program Provisions for 1977 Crops
S. 761	Johnston	Extend Current Rice Program for 1 Year
S. 788	Humphrey	Domestic Grain Reserves and Disaster Program Provisions
S. 833	McGovern	Domestic Grain Reserves and Disaster Program Provisions
S. 848	Domenici	Rural Development/Watershed Projects
S. 1099	Durkin	Grain Reserves
S. 1109	Pearson	P.L. 480 Amendments
S. 1169	Humphrey	P.L. 480 Amendments
S. 1219	Humphrey	Grain Reserves
S. 1706	Dole	Wet-Grain Storage (silo) Facilities Loans

Source: *Comparative Analysis of the Proposed Food and Agriculture Act of 1977 and Related Bills,* Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, Print 87-349, April 4, 1977.

APPENDIX B

SENATE FLOOR AMENDMENTS TO S. 275

Date offered	*Principal sponsor*	*Amendment*	*Vote for/against*
May 23	Talmadge	To strike from S. 275 those P.L. 480 provisions (relating to international operations) coming within the jurisdiction of the House Committee on International Relations	Agreed to
	Dole	To define further the role of USDA in approving purchasing and shipping agents serving P.L. 480 countries, to institute deadlines for finalizing regulation by USDA designed to prohibit conflict of interest situations, and to require regulations to increase the number of exporters participating in the program	Agreed to
	Dole	To add a new title (XVII—the Wheat and Wheat Foods Research and Nutrition Education Act) to provide authority to enable producers, processors, end-product manufacturers, and consumers of wheat foods to establish, finance, and administer a coordinated program of research and education to promote and improve human nutrition	Agreed to
	Bellmon	To continue the authority of the Secretary to enter into contracts with landowners to open their lands for public use	Agreed to
	Dole	A technical amendment to delete "Agricultural Research Service" and insert instead "United States Department of Agriculture," thus changing the placement of a particular function with a specific agency to the Secretary for his discretionary placement	Agreed to
	Dole/ Huddleston	To add a new title (XVIII—Federal Grain Inspection) to S. 275 amending the 1976 Grain Standards Act providing for financing grain inspection from appropriated funds rather than from user fees and treating conflict of interest, record-keeping requirements, and other issues	Agreed to
	Curtis	To add a subtitle on hydrocarbon research and development, authorizing the Secretary to provide grants of up to $24 million for research on manufacture of fuel from agricultural products and authorizing the Rural Development Administration to make guaranteed loans of up to $15 million for four pilot projects for the production and marketing of industrial hydrocarbons from agricultural and forest commodities	Agreed to
	Allen	To direct the Farmers Home Administration (FmHA) to retain a reserve against losses of not less than 15 percent of the total amount of the loans guaranteed by FmHA (but made by the private financial community), rather than the current 100 percent reserve requirement	Agreed to
	Bellmon	To direct the Secretary to require a set-aside of cropland in a year subsequent to one in which the carryover of wheat at the end of a marketing year exceeds 175 percent of the domestic use for such marketing year	Agreed to
	Allen/ Sparkman	Technical amendments to correct the intent of the committee bill providing for overall, comprehensive, jointly developed extension programs by the 1890 schools, Tuskegee Institute, and the Cooperative Extension Service.	Agreed to

Date offered	*Principal sponsor*	*Amendment*	*Vote for/against*
	Bellmon	To delete the provisions authorizing the international emergency food reserve (substitute amendment was offered to ensure that the reserve provisions precluded the grain from being used to "depress prices in the market place of the United States")	Agreed to
	Helms	To require the Secretary to maintain area-type pools for peanuts placed under Government loan (before the vote was modified to be discretionary ("may") rather than mandatory ("shall"))	Agreed to
	Thurmond	To remove from eligibility for participation in the Food Stamp Program any household in which the head of the household is on strike	
	Melcher	To lay Thurmond motion on the table	56/38
May 24	Clark	To increase the target price for 1977 wheat crop to $1.85 per bushel	25/69
	Curtis	To mandate a photo identification card, a national application cross-check, and an earnings clearance system (accurate verification of income) in the Food Stamp Program	37/57
	McGovern/ Dole/ Humphrey	To extend the Food Stamp Program for 4 years instead of 2 years	46/49
	Pearson	To reaffirm the policy of protection and promotion of family farming and to require the Secretary to report annually on the family farmer and the impact of farm programs on the family farm	Agreed to
	McGovern	A perfecting amendment to section 1316 to assure that the Extension Service (Nutrition Education Program) will have the necessary flexibility to carry out the full intent of the section	Agreed to
	Helms	Technical amendments	Agreed to
	Humphrey	To authorize the Secretary to implement an emergency feed assistance program for livestock producers in emergency situations	Agreed to
	Dole	To consider bagged commodities as exported upon delivery at port and upon presentation of a dock receipt instead of an on-board bill of lading	Agreed to
	Humphrey	To amend the solar energy research and development provisions of S. 275 to authorize model and demonstration farms within the extension and research institutions of each State, to provide for establishment and operation of several regional research and development centers, and to provide a broad flexible base for appropriating funds to implement the programs	Agreed to
	Muskie	To reduce the 1977 wheat target price from $2.90 per bushel to $2.65	46/50
	Metcalf	To permit elderly persons already on the food stamp rolls to pay with stamps for meals served at congregate feeding facilities	Agreed to
	Curtis	To restore the purchase requirement to the Food Stamp Program	31/64
	Muskie	To reduce wheat and feed grain target prices for the 1979-82 crops and reduce outlays by approximately $2 billion annually	43/51

Date offered	Principal sponsor	Amendment	Vote for/against
	Melcher	To clarify that in computing household income for the Food Stamp Program deductions for dependent care may be for a dependent of any age	Agreed to
	Eagleton	To permit the Secretary to defer repayment of Farmers Home Administration loans for up to 3 years in areas declared eligible for disaster assistance	Agreed to
	Chiles/ Domenici	To require a single eligibility interview and, insofar as feasible, identical forms for food stamp, AFDC, and SSI recipients; to provide for improvements in quality control procedures; to mandate evaluation of nutritional effects, cost, fairness, and efficiency of the program; and to require the Secretaries of Agriculture and Health, Education, and Welfare to submit a joint proposal for a comprehensive nutritional status-monitoring system	Agreed to
	Brooke	To exclude from income calculation in the Food Stamp Program the income of persons engaged in Work Training Programs	Agreed to
	Tower	To authorize an extended storage program for feed grains to be administered like the one authorized for wheat	Agreed to
	Tower	To establish a Food Stamp Program purchase requirement graduated by income	Rejected (on a division)
	Stevens	To apply the program provisions of S. 275 to that portion of the fishing industry involved in propagation of new stocks of salmon—correcting a USDA definition of aquaculture which inadvertently prohibits USDA from granting loans for certain types of aquaculture and hatching facilities	Agreed to
	Humphrey	Technical amendment to permit Secretarial discretion as to use of a sales agent under Title I P.L. 480 programming	Agreed to
	Talmadge	Technical amendments to correct typographical and clerical errors throughout S. 275	Agreed to
	Curtis	To make eligible for food stamps a family whose income does not exceed 125 percent of the poverty level	27/64
	Hollings	To strike the word "marine" in the aquaculture section to avoid a jurisdictional problem (the Agriculture, Nutrition, and Forestry Committee has jurisdiction of aquaculture in fresh water whereas the Committee on Commerce, Science, and Transportation has jurisdiction for marine fisheries and aquaculture)	Agreed to
	Hayakawa	To deny food stamps to college students	26/63
	Hatch	To delete the section (410) expressing the sense of the Congress that the President should continue to negotiate for an international grains agreement	Rejected
		Vote on entire engrossed bill	69/18

APPENDIX C

AMENDMENTS CONSIDERED IN HOUSE FLOOR ACTION ON H.R. 7171

Date considered	*Principal sponsor*	*Amendment*	*Vote for/against*
		TITLE I–PAYMENT LIMITS	
July 20	Findley	To include rice in the applicable commodities and to reduce the payment limit to $20,000	183/230
	Nolan	To prohibit payments to corporate enterprises owned or controlled by farmers	199/207
July 21	Fithian	To limit payments under the sugar program to $50,000	Rejected
	Findley	To limit annual payments to producers under any sugar program to $50,000 (a substitute amendment for Fithian's amendment, the intent of which had become "quite garbled")	167/241
	Grassley	To require from program payment recipients information on their status, to get information on nonfarm interests in agriculture	Rejected
	Harkin	To limit to $100,000 the amount of CCC price support loans that a farmer may receive in 1 year	Rejected
		TITLE II–DAIRY AND BEEKEEPER PROGRAMS	
	Conte	To terminate the beekeeper indemnity program	Rejected
		TITLE III–WOOL AND MOHAIR	
		(No amendments)	
		TITLE IV–WHEAT	
	Foley	To increase the 1977 target price from $2.65 to $2.90 per bushel	Agreed to
	Harkin	To extend prevented planting disaster payments coverage to 1977 wheat and feed grains crops at the higher 1977 target prices adopted by the House	Agreed to
	Findley	To allow reduction in price support loans when the market prices for wheat and feed grains are not more than 105 percent of loan level	Agreed to
	Glickman	To allow target price payments on 100 percent of planted acreage of wheat and feed grains if current year planted acreage is reduced from previous year acreage to conform with any set-aside requirement	Agreed to
	Madigan	To terminate disaster payments program for wheat, rice, feed grains, and cotton at end of 1979 crops	Agreed to
	Bedell	To allow USDA to use previous year as well as current year plantings to determine eligible acreage payment bases	Agreed to
		TITLE V–FEED GRAINS	
	Foley	To increase target price for 1977 corn crop from $1.85 to $2.00 and to increase the 1977 crop loan level from $1.75 to $2.00	Agreed to
July 22	Abdnor	To extend target price payments to oats	Agreed to
	Smith	To require announcement of feed grain program provisions no later than November 15 prior to year in which the grains are harvested	Agreed to

Date considered	Principal sponsor	Amendment	Vote for/against
		TITLE VI–COTTON	
	Mahon	To permit cotton import provision to be discretionary with the Secretary rather than mandatory	17/36
	Poage	To put a floor of 51 cents under the target price for cotton	Agreed to
	Bowen	To replace Section 601 with new language extending the current plantings concept to cotton as was done for other crops	Agreed to
		TITLE VII–RICE	
		(No amendments)	
		TITLE VIII–PEANUTS	
		(No amendments)	
		TITLE IX–MISCELLANEOUS COMMODITY PROVISIONS	
	de la Garza	To mandate a price support loan or purchase program for sugarbeets and sugar cane at not less than 55 percent nor more than 65 percent of the parity price for sugar	81/3 on the amendment as amended–a division
	Burton	To authorize and direct the Secretary to establish minimum wage rates for agricultural employees engaged in sugar production (amendment to de la Garza amendment)	
	McCormack	To limit the de la Garza price support program to 2 years–1977 and 1978 (amendment to de la Garza amendment)	
	Foley	To provide authority to the Secretary to require a reduction in acreage normally planted to crops whenever a set-aside or diversion program is in effect, and to require compliance with the provisions of the set-aside program for eligibility for benefits under any other program	Agreed to
	Weaver/ Smith	To require establishment of a farmer-owned grain reserve of up to 35 million metric tons with CCC extended loans	Agreed to (as amended by Foley amendment)
	Foley	A substitute amendment for the Weaver/Smith amendment–identical except made discretionary with the Secretary rather than mandatory	Agreed to
	Harkin	Amendment to Foley substitute amendment making the reserve mandatory rather than discretionary	144/223
July 25	Burlison	To mandate a $4 per bushel price support loan for soybeans	9/43 (on a division)
	Nolan	To establish a price support payments program for 1977 crop sugarbeets and based on 13.5 cents per pound (raw sugar equivalent)	Agreed to
	Pressler	To set the interest rate charged by CCC on grain storage facilities loans at the cost of money to the Government, but in no case at more than 7 percent	Agreed to
	Fascell	To impose the same quality standards on imported tomatoes as on domestically produced tomatoes	Agreed to

Date considered	Principal sponsor	Amendment	Vote for/against
	Derrick	To terminate the authority to make price support available for nondesignated commodities when net outlays at the end of any crop year exceed $50 million	55/0 (division)
July 26	Heckler	To provide maximum price support levels per ton for peanuts of 1978–$390, 1979–$375, 1980–$360, and 1981 and subsequent years–$345	207/210
	Conable/ Cohen	To extend indemnification for losses to producers quarantined for golden nematode	Agreed to
	Findley	To prohibit the Secretary from imposing any soybean acreage set-aside requirements as eligibility for benefits from any program crop	Agreed to
	Stangeland	To increase storage payments from 1 cent to 2 cents per bushel per month for grain in the reserve program	Rejected
		TITLE X–RURAL DEVELOPMENT AND CONSERVATION	
	Jones	To give the Farmers Home Administration authority to defer payments on emergency loans which have been made to farmers in disaster situations	Agreed to
		TITLE XI–PUBLIC LAW 480	
	Johnson	To make tobacco and tobacco products ineligible for use in Title I of the Food for Peace Program	Agreed to (as amended by Whitley amendment)
	Whitley	Substitute amendment for Johnson amendment to give priority to financing the sale of food and fiber commodities under Title I	260/151
	Symms	To prohibit discrimination between price-supported and non-price-supported commodities in the programming of commodities under P.L. 480	Agreed to
	Bonior	To require the Secretary to submit a hunger impact statement every other year including who would be helped or excluded, how many individuals reached, type of assistance provided, and so forth	30/15 (on a division)
	Sebelius	To encourage increased participation among sellers in bidding under Title I, to offer bagged commodities for export by considering bagged commodities as "exported" upon delivery at port and upon presentation of a dock receipt instead of an onboard bill of lading	Rejected
	Leach	To permit USDA when requested by a recipient country to serve that country as its purchasing or shipping agent, or both, in arranging transactions of commodities	Agreed to
	Leach	To establish a deadline for USDA to publish final regulations to prohibit conflicts of interest in P.L. 480 transactions and to increase the number of exporters participating in the program	Rejected
		TITLE XII–FOOD STAMPS	
	Foley	To strike Title XII of H.R. 7171 and substitute in its entirety the language of H.R. 7940 as a new Title XII (subsequent amendments are to the substitute amendment)	Agreed to

Date considered	*Principal sponsor*	*Amendment*	*Vote for/against*
		1201. Title	
		1202. Declaration of Policy	
		1203. Definitions	
	Walker	To assure that food stamps are used to purchase nutritional food by requiring the Secretary to determine foods that are nutritional (and so labeled) in order to be eligible for purchase with food stamps (two amendments)	
July 27	Symms	To make negligible or low-nutritional value foods ineligible for purchase with food stamps	19/26 (division) 185/227 (recorded vote)
		1204. Establishment of the Food Stamp Program	
	Mathis	To place a cap on expenditures for the Food Stamp Program of $5.847 billion for FY 78, $6.1589 billion for FY 79, $6.1886 billion for FY 80, and $6.2359 billion for FY 81	242/173
	Latta	An amendment to the Mathis amendment to lower the FY 78 cap to $5.6 billion	22/38 (on a division) 168/248 (recorded vote)
		1205. Eligible Households	
	McHugh	To change the formula for determining household eligibility for food stamp benefits by indexing the allowable shelter costs (from $75) to the Consumer Price Index (CPI)	Ruled out of order for violating Budget Control Act —additional entitlement in FY 79 prior
		1206. Eligibility Disqualifications	
	Kelly	To not exclude individuals on strike from food stamp eligibility	170/249
	Fenwick	Amendment to the Kelly amendment to exclude a household containing children under 16	36/45 (division) 152/266 (recorded vote)
	Fenwick	Amendment to the Kelly amendment to exclude a household containing children under 16, or disabled or elderly dependents	190/227
	McHugh	To direct the Secretary to adjust the deduction for excess shelter cost every January 1 (beginning January 1, 1978) to reflect changes in the shelter, fuel, and utilities components of housing in the Consumer Price Index	45/19 (division)
		1208. Issuance and Use of Coupons	
		(Section 1207 before McHugh amendment; all sections were subsequently renumbered) (No amendments)	

Date considered	Principal sponsor	Amendment	Vote for/against
		1209. Value of Allotment	
	Symms	To restore the purchase requirement	102/317
	Jeffords	To provide for recouping benefits from recipients whose annual income exceeds twice the poverty level and from persons participating through fraud or errors through the Internal Revenue System	21/51 (division) 149/262 (recorded vote)
		1210. Food Concerns	
		(No amendments)	
		1211. Redemption of Coupons	
		(No amendments)	
		1212. Administration	
	Nowak	To require States to have a place of operation to provide food stamps for households that are victims of disaster	Agreed to
July 28	Jeffords	To give States the option to provide persons who are elderly, living alone, and disabled with cash payment instead of food stamps	Agreed to
		1213. Civil Money Penalties and Disqualification of Retail Food Stores and Wholesale Food Concerns	
		(No amendments)	
		1214. Determination of Disposition of Claims	
		(No amendments)	
		1215. Administrative and Judicial Review	
		(No amendments)	
		1216. Violations and Enforcement	
		(No amendments)	
		1217. Administrative Cost-Sharing and Quality Control	
		(No amendments)	
		1218. Research, Demonstration, and Evaluations	
	Findley	To permit additional pilot projects in States to require certain recipients to perform public service work in exchange for food stamps (the workfare concept)—in addition to the pilot project for each State and the District of Columbia as required in the bill	159/255
		1219. Authorization for Appropriations	
		(No amendments)	
		1220. Commodities	
	Glickman	To permit the Secretary to furnish commodities to summer camps in which the number of adults participating in camp activities compared with the number of children under 18 years of age participating is not unreasonable considering the nature of the camp and the characteristics of the children in attendance	Agreed to
	Foley	Technical amendments to the section	Agreed to

Date considered	Principal sponsor	Amendment	Vote for/against
		1221. Effective Date	
		(No amendments)	
		1222. Conforming Amendments	
	Foley	Substitute amendment (H.R. 7940) as amended	320/91
		TITLE XIII–NATIONAL AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING POLICY ACT OF 1977	
	Weaver	To establish a new program of research and extension concerning genetics, nutrition, reproduction, disease, and health care of dairy goats and concerning marketing of milk and milk products produced by dairy goats	(Withdrawn)
	McHugh	To strike Section 1320 directing the Secretary of Agriculture to give grants in aid to those States not having veterinary schools and to expand existing schools	Rejected
	de la Garza	A substitute amendment for Section 1327 (International Agricultural Research and Extension) to provide authority for USDA to support U.S. initiative in cooperating with developing and developed countries overseas	Agreed to
	de la Garza	To direct the Secretary to conduct a study of the practicability, desirability, and feasibility of collecting organic waste materials and to improve soil tilth and fertility	Agreed to
	Panetta	To direct the cooperative extension service to expand their educational programs to include the development and dissemination of scientific and technological water conservation	Agreed to
		TITLE XIV–AGRICULTURAL SOLAR ENERGY RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACT OF 1977	
	Bowen	To direct the Secretary to establish three to five solar energy research and development centers in the United States	Agreed to
	Fish	Amends Title XIV to broaden the definition of solar energy to include all nonfossil fuel technologies and nonnuclear and nonfossil technologies, and strikes the 5-year time limit on USDA to extend loans under this title	Agreed to
		TITLE XV–WHEAT AND WHEAT FOODS RESEARCH AND NUTRITION EDUCATION ACT	
	Wolff	To delete the provision for assessing up to 5 cents per hundredweight of processed wheat for financing the program	24/16 (division) 300/109 (recorded vote)
	Quie	A perfecting amendment to Title XV to exempt small bakers from the recordkeeping required by the program	Agreed to
	Foley	To insert a new title (XV), Federal Grain Inspection (same as H.R. 6135 reported by House Agriculture Committee)	Agreed to as amended
	Sebelius	Amendment to Foley amendment to prohibit Federal Grain Inspection Service (FGIS) from analyzing and reporting the percentage of dark, hard and vitreous kernels in hard red winter wheat	Agreed to

Date considered	*Principal sponsor*	*Amendment*	*Vote for/against*
	Jenrette	To permit the Administrator, Federal Grain Inspection Service, to waive the rule that when any two employees of a grain inspection agency are convicted of a crime, that agency is no longer allowed to operate as a State inspection agency	Agreed to
	Sebelius	To provide for full Federal funding of Federal Grain Inspection Service's supervisory cost for inspection and weighing	Rejected
	de la Garza	Separate vote requested on earlier adopted amendment to mandate a sugar price support program	246/165
	Nolan	Separate vote on earlier adopted amendment to require a price support payments program for 1977 crop sugar cane and sugarbeets	173/238
	Findley	Motion to recommit the bill (H.R. 7171) to the Committee on Agriculture with instructions to report the bill again with one amendment to limit to $30,000 the annual payments under one or more of the wheat, feed grains, rice, and upland cotton programs	201/210
		Vote on passage of the bill	294/114

APPENDIX D

MEMBERS OF THE HOUSE/SENATE CONFERENCE COMMITTEE

Managers on the part of the House

Thomas S. Foley (Dem.-Wash.)
W. R. Poage (Dem.-Tex.)
E. de la Garza (Dem.-Tex.)
Walter B. Jones (Dem.-N.C.)
Ed Jones (Dem.-Tenn.)
Dawson Mathis (Dem.-Ga.)
David R. Bowen (Dem.-Miss.)
Charles Rose (Dem.-N.C.)
Fred W. Richmond (Dem.-N.Y.)
Richard Nolan (Dem.-Minn.)
James Weaver (Dem.-Ore.)
William Wampler (Rep.-Va.)
Keith G. Sebelius (Rep.-Kans.)
Paul Findley (Rep.-Idaho)
Charles Thone (Rep.-Neb.)
Clement Zablocki (Dem.-Wis.)[1]
Donald J. Pease (Dem.-Ohio)[1]

Managers on the part of the Senate

Herman E. Talmadge (Dem.-Ga.)
James O. Eastland (Dem.-Miss.)
George McGovern (Dem.-S. Dak.)
James B. Allen (Dem.-Ala.)
Hubert H. Humphrey (Dem.-Minn.)
Robert Dole (Rep.-Kans.)
Milton R. Young (Rep.-S. Dak.)
Carl T. Curtis (Rep.-Nebr.)

[1] Member of the International Relations Committee—participated on issues involving Public Law 480—Title XII, and International Research—Title XIV, and provisions of S. 275 on international grain reserves.

ALTERNATIVES AND CONGRESSIONAL ACTION IN DEVELOPING THE FOOD AND AGRICULTURE ACT OF 1977

By
James Johnson*

ABSTRACT

Government policy relating to the food and agriculture sector has changed significantly in the 50 years since commodity programs first came into use. The legislation, which serves as the framework for food and agricultural policy, is comprised of programs and authorizations reflecting objectives drafted in the public policy arena. This article presents the major program alternatives, compromises, and decisions used to develop the legislative proposals for the Food and Agriculture Act of 1977.

KEYWORDS: Agricultural and food policy, congressional action, Food and Agriculture Act of 1977.

INTRODUCTION

The Congress developed food and agricultural legislation and program authorities to replace those about to expire in 1977 within a legislative environment prescribed by interrelated economic events, political factors, and formal and informal institutions. These initiatives included specific programs for farm commodity support and marketing assistance, domestic and foreign food aid, and food and agricultural research. As a result of a complex of demands, changes were made in those areas which affect both the future course of the food and agriculture sector and the types of policy tools which can be employed to meet policy problems and policy objectives.

The public policy decisionmaking process led to the formulation of the Food and Agriculture Act of 1977 as the primary means of effecting policy change. To put the 1977 act in persepctive, one needs to understand the program alternatives and consequent public policy choices. I will, therefore, examine a variety of alternatives which emerged during development of the 1977 act. This article complements the previous article which focuses on the principal forces and factors influencing the legislative process.

In this article, I will trace the sequential development of major food and commodity program provisions of S. 275 and H.R. 7171 through the subcommittee, full committee markup, floor action by the House and Senate, and the conference committee. The resolution of major differences between the House and Senate bills in the conference committee will be emphasized. Changes which occurred in each Chamber from the time initial positions were established to floor action will also be discussed.

THE SENATE PROPOSAL–S. 275

The development of successor legislation to the Agriculture and Consumer Protection Act of 1973 was one of the most important tasks for the first session of the 95th Congress. In late 1976, at the request of its chairman, Senator Talmadge (Dem.-Ga.), staff members of the Senate Committee on Agriculture, Nutrition, and Forestry had begun to design a prototype for new legislation.

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THE ORIGINAL VERSION OF S. 275

The original version of S. 275 was introduced on January 18, 1977, by Senator Talmadge. The bill's cosponsors included Senator Dole (Rep.-Kans.), the ranking minority member of the committee.

The Senate committee held hearings which began in late-February and continued through mid-March for a total of 17 sessions; subcommittees also conducted additional hearings. Formal markup of the bill was accomplished in sessions from April 19 through May 4. The committee reported the revised version of S. 275 on May 16, the deadline set by the congressional budget process. The bill was introduced to the full Senate on May 23 and was passed on May 24.

The major features of the Talmadge/Dole bill prior to Senate committee markup are summarized below:

SUMMARY OF THE ORIGINAL VERSION OF S. 275

Commodity Programs

- Target prices and the price support loan levels were tied directly to individual commodity cost of production for the first time. This completed the move to the cost of production concept (and away from the parity concept) initiated in the 1973 act when the broad "Prices Paid Index" was used to adjust target prices. The cost of production concept was determined to include all direct costs, overhead costs, a return to management, and a return to land based on a composite of cash rent, share rent, and average acquisition value of owner-operated land.
- The price support loan minimum levels were 75 percent of the production cost (target price), but the Secretary of Agriculture was given authority to set them above the minimum. Additional flexibility was provided the Secretary to reduce the loan level under certain circumstances to "not less than 90 percent of the prevailing world price." This was significant in its explicit recognition of the importance to U.S. agriculture of remaining competitive in international markets.
- The target prices and minimum loan levels specified for 1978 were:

Commodity	Target price	Loan level
	Dollars	
Wheat	2.91	$2.18
Corn	2.28	1.71
Cotton	.511	.383

- Most other provisions of the 1973 act relating to the commodity programs (production control, disaster payments, and allotments) were simply extended for 5 years.

Food Stamp Program

The provisions of S. 275 relating to the Food Stamp Program were a restatement of the committee's program reform developed in the 94th Congress.[1] The major provisions are the following:

- Extended the authorization for food stamps for 5 years.
- Replaced the itemized deductions with a standard deduction of $70 per month for determining income and establishing eligibility; enacted a net income ceiling at the official poverty level; and contained a 30-day retrospective accounting period for determining eligibility and streamlining the application process.
- Included a work incentive by requiring a work registration and job search program for those "who can work," removed college students from eligibility if claimed as tax dependents by ineligible households, and included a number of methods to open access to the program for those "who are eligible."
- Eliminated the categorical eligibility of household grants from Aid to Families with Dependent Children and Supplemental Security Income even though the level of income was above program eligibility levels.
- Established a uniform purchase price for food stamps of 27.5 percent of net monthly income and authorized a pilot program to determine the desirability of eliminating the purchase requirement.

Food For Peace (P.L. 480) Program

The bill extended the program for 5 years with the following modifications:

- The President can waive the provision which required that 75 percent of Title I commodities go to countries with a per capita gross national product (GNP) of $300 or less.
- Foreign country proceeds from P.L. 480 sales can be used to develop handling, storage, and distribution facilities in foreign countries.
- Title II donations are increased from 1.3 to 1.5 million metric tons.
- The appropriation limit is increased from $600 million to $900 million, and payment of transportation costs to points of entry other than the seaports of recipient countries is permitted.

[1] In the 94th Congress, the Senate had passed S. 3136, the National Food Stamp Reform Act of 1976, but the House failed to complete action (*9*, p. 3). Note: Italicized numbers in parentheses refer to items listed in the References at the end of this article.

Agricultural Research

The bill provided for considerable revision of existing agricultural research by:

- Expressing the "sense of Congress"—not a mandate—that food and agricultural research funding should equal at least 0.5 percent of the value of domestic expenditures on food plus agricultural exports.
- Reiterating the need for human nutrition research and providing new initiatives for basic research, aquaculture, and animal health.
- Reaffirming the relationship between the States and the Federal Government through the State agricultural experiment stations, Cooperative Extension Service, and land-grant colleges.
- Creating coordination and advisory panels for guiding the national research program.

THE SENATE MARKUP

The following discussion highlights changes made during the markup hearings in the Senate committee. They are presented in approximately the same order in which they appeared in the final version of the Senate bill.

Payment Limitation

S. 275 initially continued the provision of the 1973 act, which limited total payments to wheat, feed grain, and upland cotton producers to $20,000. Under the 1975 Rice Production Act, payments to rice producers were limited to $55,000.

The committee agreed to limit total payments under one or more of the wheat, feed grain, upland cotton, extra long staple (ELS) cotton, and rice programs to $50,000. This limit excluded disaster payments, commodity loans or purchases, and payments for resource adjustment except for land diversion. Excluding disaster payments from the limitation represented a change from prior law. In addition, the Senate committee agreed to a provision which would have restricted or in some cases prohibited payments to large nonfarm organizations and other parties.[2]

Dairy

The original version of S. 275 extended dairy program provisions in the 1973 act providing for milk marketing orders, dairy products for veterans' hospitals and the military, and indemnity payments. The committee amended the 1949 act, as amended, which required a dairy price support level between 75 and 90 percent of parity, by increasing the minimum support level to not less than 80 percent of parity. This provision would be effective to March 31, 1979.

[2] This amendment was originally introduced by Senators Richard Clark (Dem.-Iowa) and John Culver (Dem.-Iowa) (*23*).

Semiannual adjustments of the support level were approved with quarterly adjustments authorized to reflect substantial changes in the parity index. Class 1 Base Plans and seasonal incentives were extended for 5 years.

The Senate committee changed the wording of the indemnity section, adding that producers having losses resulting from chemical residues, nuclear radiation, or fallout could qualify for payments.

Wheat

During markup, Senator Dole offered to amend the wheat target price and loan rate levels for 1977 and 1978 as follows:

Year	Target price	Loan rate
	Dollars	
1977	2.90	2.25
1978	3.10	2.50

Additionally, the Dole amendment adjusted the target price for 1979-82 by adjusting the previous year's target price to reflect any change in the index of prices paid by farmers for production items, interest, taxes and wage rates (PPI) in the previous calendar year (*7*). This adjustment procedure was identical to that of the 1973 act (*6*). Senator Bellmon (Rep.-Okla.) offered an amendment to the Dole proposal that permitted producers to receive the loan rate without deductions for storage charges. The Bellmon amendment was approved. Later, Senator Clark (Dem.-Iowa) proposed a modification of the Dole amendment to hold the target price at its originally proposed level, to raise the loan to 85 percent of the target price, and to maintain the Bellmon net loan proposal. The committee rejected the target price proposal but accepted the loan rate proposal and reaffirmed the measure exempting storage payments from loan proceeds. The committee decided to equate the target price to cost of production for 1979-82, but at a level no less than $3.10 per bushel. The loan level flexibility provision contained in the original version of S. 275 was removed from the text of the bill. Target price and loan rate levels for wheat were then established by the Senate committee as follows:

Year	Target price	Loan rate
	Dollars	
1977	2.90	2.25
1978	3.10	2.47
1979-82	[3]	[4]

[3] Target prices for 1979-82 would be equal to the cost of production as defined in the original S. 275.

[4] The loan rate would be equal to 85 percent of the cost of production for 1978-82. Cost of production was equated to $2.91 per bushel for 1978.

In discussing additional provisions for the wheat title, the committee agreed with the administration's position of basing payments on the current year's plantings (*4, 8*). However, a stipulation was added in which eligible producers would be paid on no less than 90 percent of their current year's plantings.

In discussing the disaster payment program, the committee looked forward to development of a crop insurance program, and it extended the program for a 2-year period. The committee agreed to provide coverage for prevented plantings on the smaller of the acreage intended for plantings or of the acreage planted in the previous year, times 75 percent of the program yield, times one-third the target price. Low yield payments would be based on production loss below 75 percent of the program yield, times acres planted for harvest. The payment rate would be one-third the target price.

The committee also added a provision expressing the sense of the Congress that the President should negotiate with major exporting countries such as Canada, Australia, and Argentina, and with major wheat importing countries to establish a minimum world price at no less than the average cost of producing wheat in the United States, adjusted to reflect transport costs.

Feed Grains

During markup, the committee agreed to accept a 1978 target price for corn of $2.28, which was determined to be the average cost of production. But the committee decided to set the loan level at $2 per bushel instead of the $1.71 rate suggested in the original version of S. 275. The committee also decided that the loan rate would not be less than 85 percent of the cost of production for 1979-82, establishing complementarity between wheat and corn. No changes were proposed in 1977 support levels, which were set at $1.70 target price and $1.75 loan rate. Target prices and loan levels for other feed grains would be set at a "fair and reasonable" relationship to corn.

Disaster protection, deficiency payment coverage, and production adjustment provisions equivalent to those for wheat were established for feed grains.

Upland Cotton

The committee decided to retain a cotton target price of 51.1 cents per pound, as initially proposed, as well as to base cotton's target price on a cost of production estimate for the 1979-82 crops. However, instead of the loan being set at 75 percent of the cost estimate, the basis for determining loan rates was modified with the intent of maintaining cotton's export potential.[5] Loans would be available for 10 months, with authority to extend for an additional 8 months, and would carry an interest rate based on the lowest rates charged the Commodity Credit Corporation (CCC).

The basis for determining deficiency payments for upland cotton was also revised to be consistent with that for wheat and feed grains. The amount of acreage for payment on any farm could not be reduced below 90 percent of acreage currently planted for harvest. It was also agreed by the Senate committee that both prevented planting and low-yield disaster provisions for upland cotton would be consistent with those for wheat and feed grains. Low-yield provisions set payment levels at one-third the target price, times the planted acreage, times the shortfall in production below 75 percent of the farm program yield.

As initially introduced in S. 275, the disaster protection provision, farm allotment system, and production adjustment program were continued as developed in the 1973 act.

Rice

The original version of S. 275 extended existing legislation, the Rice Production Act of 1975, due to expire December 31, 1977. This continued the historical allotment system and the use of the PPI and 3-year moving average yields to adjust target prices. In subsequent years, adjustments in loan rates would continue to be based on percentage changes in the target price and would, in essence, remain at 75 percent of the target price as established by the 1975 act. The Senate committee agreed to the extension of the existing price and income support program but decided to provide coverage only on the allotment portion of planted acreage. The committee also decided to delete the 30-percent (of the allotment) set-aside limit contained in the 1975 act.

Peanuts

Extensive negotiations among peanut growers, the administration, and the Congress produced a program proposal which was entered, with slight modification, in both the Senate and the House bills. Under the Senate's proposal, the minimum national acreage allotment would remain constant at 1.614 million acres, but the national marketing quota eligible for the $420 per ton loan level would decline from 1.68 million tons in 1978 to 1.44 million tons for 1981 and 1982. The $420 per ton loan level approved by the committee would be an effective increase from the 1977 loan of $430.50, as $20 was deducted for storage and handling. The loan rate for peanuts not included in the quota would be set by the Secretary of Agriculture. Marketing penalties for "excess" peanuts would be increased to 120 percent of the loan level for "quota" peanuts.

Grain Reserves

The Senate committee adopted a producer-held storage program based on provisions originally described in Senate

[5] Loan rates would be the lower of 85 percent of the preceding 4-year spot market price for Strict Low Middling 1 to 1-1/16 inch cotton or 90 percent of the cost, insurance, freight (c.i.f.) Northern Europe quotations for Strict Low Middling for the first 2 weeks in October.

Bills S. 203 and S. 1219 which were introduced by Senators Bellmon and Humphrey (Dem.-Minn.), respectively. The reserve program provided extended loans of 3 to 5 years with a federally subsidized storage payment. The quantity of wheat stored would be between 300-700 million bushels. If, before the loan matured, the market price for wheat had reached a previously specified level between 140 to 160 percent of the loan rate (redemption price), storage payments would cease and producers could market their grain without penalty. Producers paying off a loan before the market price reached 140 percent would be subject to repayment of storage payments, interest on the loan, and other charges determined by the Secretary. Loans which were outstanding when the market price reached 200 percent of the loan rate would be called for redemption. The minimum release price for CCC-held stocks would be 110 percent of the redemption price when such a reserve was in effect.

A feed grain reserve was not approved during markup. But an International Emergency Food Reserve of 2 to 6 million tons and a disaster reserve for wheat, feed grains, soybeans, hay, and other forages were accepted.

The loan program for farm storage facilities was also considered during markup. Secured loans for the construction of storage facilities for dry and high-moisture grain, soybeans, rice, and high-moisture forage and silage were authorized for amounts up to 80 percent of purchase and construction costs, but not to exceed $50,000.

Public Law 480

The committee made several changes in P.L. 480 as initially introduced. Amendments were adopted which: (1) required that all purchases of food commodities financed under Title I be purchased in the United States on the basis of publicly opened tenders, (2) permitted the CCC to serve as a purchasing or shipping agent or both when requested by a recipient country, and (3) prohibited commission payments to shipping agents. These amendments were designed to reduce program abuse and directly benefit small countries which might lack the resources to supervise their own purchase and shipping activities.

Agreement was also reached on amendments designed to provide greater flexibility in the allocation of Title I concessional sales. These included: (1) increasing the per capita GNP cutoff criterion from $300 to $520 and (2) pegging the poverty level criterion to that used by the International Development Association of the World Bank in making concessional loans. Adoption of these amendments was based on the fact that due to inflation the $300 limit was considered too restrictive to provide help to needy countries.[6]

[6] Secretary Bergland, in testimony before the Senate Agriculture Committee on March 23, 1977, suggested the poverty criterion established by International Development Assistance financing as the cutoff level for determining the 75 to 25 percent allocation of food aid commodities (*1*).

The committee also added a section on human rights which prohibitied concessional sales to countries having . . ."a consistent pattern of gross violations of internationally recognized human rights" (*23*, p. 100). Other amendments created a Food for Development Program, provided for reimbursements to the CCC at export market prices rather than on the basis of CCC costs for any Government-owned price support commodities used in P.L. 480 programs, and required the Secretary of Agriculture to appoint a task force to study the program and report to the Congress within 18 months of legislative enactment.

Food Stamps

The Senate committee did not wholly accept the Food Stamp Program outlined in the original version of S. 275. Two major revisions were made. First, instead of extending program authorization for 5 years, the committee adopted a 2-year extension. Arguments for this extension were based upon anticipated welfare reform efforts by the Carter administration (*23*, p. 139).

Second, the committee eliminated the provision stipulating a uniform purchase requirement equal to 27.5 percent of net monthly income. Instead, the benefit would be the normal coupon allotment reduced by 30 percent of a household's net monthly income after deductions (*23*, p. 119). This change was made to strengthen program administration and to make the program more accessible to low-income households. Both measures were consistent with the administration's position.

A further change was reducing the standard deduction to $60 per month with semiannual adjustments allowed for changes in the nonfood Consumers Price Index. Other income adjustments included: (1) a deduction of 20 percent of all earned income for households with earned income, (2) a deduction of $85 per month for dependent care required by a household member to accept or continue employment or training, and (3) an excess-shelter expense deduction, not to exceed $75, whenever shelter costs exceeded 50 percent of monthly income after expenses.

SENATE FLOOR ACTION

The Senate floor debate began the same day the bill was introduced—May 23, 1977—and concluded the following day. About 30 amendments were considered during the 2-day period.[7]

Senator Talmadge offered an amendment to delete from S. 275 any P.L. 480 provisions which would have come within the jurisdiction of the House Committee on International Relations. The need for this amendment arose from the jurisdictional split of P.L. 480 in the House between the Committee on International Relations and

[7] For a complete account of the Senate action, see (*20, 21*).

the Committee on Agriculture. In the Senate, the Committee on Agriculture, Nutrition, and Forestry had complete responsibility for P.L. 480.

Senator Dole offered two amendments to P.L. 480. The first amended Section 408 of the Agricultural Trade Development and Assistance Act of 1954 by adding a new section requiring the Secretary of Agriculture to issue revised regulations governing all Title I operations including those relating to purchasing countries, suppliers of ships or commodities, and purchasing or shipping agents. This amendment would have also reduced the share any exporter could have of the total volume of the commodity shipped from 75 to 25 percent. The second Dole amendment pertained to "bagged commodities" and required that they be considered exported for purposes of financing by CCC upon delivery at port. Both amendments were accepted.

The Wheat and Wheat Foods Research and Nutrition Education Act, Title XVII, was introduced by Senators Dole, Humphrey, Young (Rep.-N. Dak.), McGovern (Dem.-S. Dak.) and Melcher (Dem.-Mont.). This amendment provided authorization for plans and projects for nutrition education in domestic and international markets on wheat and wheat byproducts, for research on distribution, marketing, and utilization of wheat, as well as for new product development to encourage wheat use. If approved by a referendum vote, the program would be funded through levies placed on end-product manufacturers. The amendment passed.

Senator Clark proposed an amendment to increase the 1977 target price for corn from $1.70 per bushel, established under the 1973 act, to $1.85 per bushel. The debate which followed centered on establishing equity between wheat and corn producers and on the additional potential budget exposure resulting from increasing the corn target price. The measure was defeated by a 25 to 69 margin on a roll call vote.

Perhaps the most controversial amendments offered during Senate floor action were those by Senator Muskie (Dem.-Me.), chairman of the Senate Budget Committee. The Senator expressed his view that the increase in the wheat target price for 1977 would violate the budget resolution and would increase outlays by about $475 million, making expenditures for the agricultural function about $1 billion over the first concurrent budget resolution for 1978. He also stated that price support provisions for wheat and corn would double Government expenditures for commodity programs in subsequent years.

The first Muskie amendment would have rolled back the 1977 wheat target price from the proposed $2.90 per bushel to $2.65 to bring the agricultural budget function within projected expenditure limits. This proposal failed to pass by a remarkably close roll call vote of 46 to 50.

The second Muskie amendment proposed reductions in the target prices and loan rates for wheat and feed grains over the 5-year term of the legislation. As proposed, the 1978 loan rate for wheat would have been reduced from 85 percent of the cost of production to $2.25; the 1978 target price for wheat would have been lowered from $3.10 to $2.90 per bushel for 1978-82; and the target price for corn would have been held at $2 per bushel. After an intense debate, the senators defeated the amendment by 43 to 51 on a roll call vote.

This summary has briefly described some of the major amendments brought forward during debate by the full Senate. Among other important amendments were the following: (1) An amendment by Senator Dole adding Title XVIII–Federal Grain Inspection–that modified the U.S. Grains Standards Act; (2) an amendment by Senator Pearson (Rep.-Kans.) requiring an annual report on trends in family farm operations, information on how existing agriculture and agriculture-related programs are administered to enhance the family farm system of agriculture, an assessment of how Federal loans encourage the growth of nonfamily farm operators, and other information necessary to preserve and strengthen the family farm system; (3) an amendment by Senator Humphrey to strengthen the agricultural solar energy research and development program; (4) an amendment by Senator Eagleton (Dem.-Mo.) authorizing the Farmers Home Administration to defer principal and interest payments on loans for up to 3 years in areas declared eligible for disaster assistance; and (5) an amendment by Senator Tower (Rep.-Tex.) providing reserve guidelines for feed grains identical to those for wheat, if a feed grain reserve were to be implemented. These provisions were included in the bill approved by the Senate.

THE HOUSE PROPOSAL–H.R. 7171

Concurrent with the Senate's development of S. 275, the House was actively involved in developing its own version of agricultural and food legislation. Many members introduced bills which varied in purpose, orientation, and content. However, the House Committee on Agriculture decided to forego working with the text of any one bill and to draft internally its version of the farm bill. During markup sessions of the full committee, the basic task became one of meshing into a cohesive bill the drafts and titles prepared by individual subcommittees.

On a roll-call vote of 40 to 6, the full committee reported H.R. 7171 to the House floor on May 16, in time to meet the budget deadline. Food stamp issues, other issues facing the Congress, and various holidays delayed House debate until July 20, 1977. Whereas the Senate's consideration of S. 275 was completed in 2 days, the House debated for 9 days before passing H.R. 7171 with a voting margin of 294 to 114.

HOUSE SUBCOMMITTEE ACTIONS AND REVISION IN MARKUP

This section highlights actions taken by the Committee on Agriculture and its subcommittees during development and markup of H.R. 7171.

Payment Limitation

The Livestock and Grains Subcommittee reported a proposal to increase the payment limitation for wheat, feed grain, and upland cotton programs from the level of $20,000 specified in the 1973 act to $35,000 and to increase it 10 percent annually. This proposal, which would have resulted in a limit of $46,585 for the 1981 crop, reflected differences among subcommittee members wishing to increase the limit to $50,000 and those wanting to retain the 1973 act limit of $20,000.

An amendment was proposed in full committee to limit eligibility for deficiency and disaster payments to certain persons and legal entities including sole proprietors, corporations engaged in farming that are largely owned by the individuals who farm, partnerships in which each partner is eligible, and other specified entities (*19,* p. 138). In defining who could receive Government payments, the drafters of the amendment attempted to prohibit payments to large nonfarm corporations and would have also prohibited payments to tenants of ineligible persons or legal entities. After attempts to alter this amendment had been rejected, the proposal was defeated.

Rice program payment limits were also debated in markup. An amendment offered by Congressman Findley (Rep.-Ill.) would have reduced the limit to $20,000 and applied it collectively to rice, wool, mohair, and ELS cotton. A substitute offered by Congressman Bowen (Dem.-Miss.) would have reduced the existing $55,000 payment limit by 5 percent until it reached the level established for wheat, feed grains, and upland cotton. The substitute was accepted, and then the Findley amendment, as substituted, was accepted (*19,* p. 139). This action continued to exempt wool and ELS cotton from payment limitations.

Several other amendments were offered during the committee debate on payment limitations, among them a proposal to limit to $100,000 the total amount of CCC loans which an eligible wheat, feed grain, cotton, rice, or peanut producer could receive in a marketing year. This amendment was rejected; the opposition focused on the real or imagined potential of its inhibiting the effectiveness of commodity support programs.[8]

[8] H.R. 3574, introduced in the House of Representatives on February 16, 1977, by Congressman Harkin (Dem.-Ia.), would have limited commodity loans to $100,000 for the wheat, feed grain, and upland cotton provisions of his bill, collectively.

Dairy

Dairy price support was the focal point of debate during markup activity on the dairy program. Congressman Jeffords (Rep.-Vt.) proposed an amendment to support the price of milk at a level between 80 and 90 percent of parity for the 4-year life of the farm bill, with quarterly adjustments offered. Congressman Rose (Dem.-N.C.), chairman of the Dairy and Poultry Subcommittee, offered a substitute containing basically the same dairy price support program as had been approved by the Senate committee. The Rose substitute, which was approved, raised the minimum level of support to 80 percent of parity through March 31, 1979. However, later in the markup sessions, Congressman Jeffords offered an amendment to extend the Rose substitute for the life of the farm bill. This amendment was accepted by the full committee (*19,* pp. 140-141).

Other amendments focused on dairy indemnity coverage which was expanded to include nuclear fallout. The language of the indemnity program was intended to prevent dairy manufacturers from receiving payments.

Wheat and Feed Grains

The House Committee on Agriculture held public hearings on prospective wheat and feed grain programs in February and March. Input was received from general farm organizations, wheat and feed grain producer organizations, consumer organizations, and other interested groups. Major issues which emerged during the hearings included the distressed nature of the farm economy, the level of price and income support, the standard to be used in setting and adjusting target prices and loan levels, the establishment of a farmer-owned grain reserve, the updating of farm allotments, the revision of disaster programs, and the authority for the Secretary of Agriculture to require set-asides.

The Livestock and Grain Subcommittee wrote the first drafts of the wheat and feed grain titles. Major actions of the subcommittee focused on setting and adjusting levels of price and income support and updating farm allotments.

After considerable debate, the subcommittee agreed to a target price proposal for wheat which was offered by Congressman Johnson (Rep.-Colo.). The target price proposed for 1977, $2.90, was identical to that offered by Senator Dole and written into the Senate bill. The target price for 1978 was $0.10 higher than that accepted by the Senate committee (*19,* p. 144).

Support levels for corn to which the subcommittee agreed were well above those which the Senate committee accepted. The Senate committee did not alter the corn support levels for 1977; the subcommittee target price for 1978 was $0.12 above the $2.28 agreed to by the Senate committee:

Year	Target prices		Loan level	
	Wheat	Corn	Wheat	Corn
	Dollars			
1977	2.90	2.18	2.25	1.75
1978	3.20	2.40	2.50	between 75 and 100 percent of target price

Under subcommittee action, target prices for 1979-81 would have been determined by escalating the prior year's target price according to changes in the index of prices paid by farmers for production items, interest, taxes and wage rates (PPI). The subcommittee also accepted a proposal by Congressman Hightower (Dem.-Tex.) to set the wheat loan level at a rate between $2.50 per bushel and 100 percent of parity, as well as a proposal by Congressmen Bedell (Dem.-Ia.) to establish the minimum loan level for corn at a level between 75 and 100 percent of the target price established for corn. Other subcommittee action included agreement on a proposal to update farm allotments based on the average plantings of each commodity over the last 3 years with the adjustment mechanism to be phased in over a 3-year timespan (*19,* p. 144).

As in the subcommittee, those issues precipitating the most controversy in the full committee were the level of support, allotments, and the disaster program.

In the full committee, an amendment was offered by Congressmen Foley and Poage (Dem.-Tex.) to reduce the level of support for wheat and corn that had been reported by the Livestock and Grains Subcommittee. After rejecting a proposal by Congressman Findley that the administration's support levels ($2.90 for wheat and $2 for corn in 1978) be accepted on the ground that the budget resolution had no provision for allowing add-on expenditures for the 1977 program, the committee accepted the Poage-Foley proposal on a roll-call vote of 25 to 20 (*19,* p. 144). The target prices for wheat in the Poage-Foley proposal were $0.25 less in 1977 ($2.65) and $0.20 less in 1978 ($3) than those recommended by the subcommittee.

This proposal struck a middle ground between the level of support suggested by the administration and that agreed to by the Senate committee. The administration had recommended a wheat target price of $2.47 a bushel, but the Senate committee agreed to a target price of $2.90 a bushel for 1977. For 1978, the administration had recommended a target price for wheat of $2.90, but the Senate committee agreed to a level of $3.10 a bushel. Since neither the administration nor the Senate committee proposed a change in the corn target price for 1977, the Poage-Foley proposal provided more income support than either of these parties ($1.85), but was $0.33 a bushel below that recommended by the Livestock and Grains Subcommittee. The subcommittee's proposed target price for 1978 corn was rolled back $0.30 to $2.10 a bushel, and the loan level was set at $2 a bushel.

Acceptance of the Poage-Foley proposal was not the full committee's last word on the target price issue. Congressman English (Dem.-Okla.) offered a proposal to revise the level of support extended to both wheat and corn producers. The English proposal would have made the following revisions: (1) increased the minimum loan rate level for the 1978-81 wheat crops from $2.35 to $2.47 a bushel, (2) increased the wheat target price from $2.65 to $2.90 a bushel for the 1977 crop, (3) increased the wheat target price for 1978 from $3 to $3.10 a bushel, and (4) increased the 1978 target price for corn from $2.10 to $2.28 a bushel. The wheat target price for 1977 and the wheat and corn target price for 1978 were identical to the support level agreed to by the Senate. Furthermore, the corn loan level contained in the Poage-Foley proposal and the $2.47 per bushel minimum wheat loan proposed in the English amendment were also identical to levels accepted by the Senate committee. The proposed increase in the support level for corn was removed from the English proposal and, after a lengthy debate, the full committee rejected the remaining wheat proposal by a vote of 22 to 23 (*19,* p. 144). The closeness of this vote likely contributed to the decision to alter proposed support levels for wheat and feed grains during floor action on H.R. 7171.

The committee agreed to the proposal of Congressmen Poage and Foley that target prices for the 1979-81 wheat and corn crops be adjusted to reflect changes in a 2-year moving average cost of production. Both land and management charges were omitted from the adjustment procedure. Additionally, the committee required that the target price for sorghum (also barley if included in the feed grain program) be set at a rate fair and reasonable in relation to corn.

The committee also addressed the basis for program benefits and production adjustment. During markup action, Congressman Thone (Rep.-Nebr.) offered a proposal to substitute the administration's proposal to base farm program acreages on the acreage harvested in the current year for the farm allotment updating procedure recommended by the Livestock and Grain Subcommittee (*19,* p. 145). This amendment passed, and the committee agreed to base the wheat and feed grain national acreage allotments on the number of harvested acres of the crop needed to meet domestic and export use.

Cotton

Cotton provisions contained in the committee version of H.R. 7171 reflected the combined input of the cotton industry, the Congress, and the administration. The administration's position on cotton programs, particularly elimination of historic allotments and of inequities in the disaster payment program, were more widely reflected in the Senate version of the farm bill.

During hearings on cotton legislation, the issues highlighted included: (1) the need for cotton loan rates to be

tied to world market prices in order to maintain competitiveness, (2) target prices set high enough to provide some financial security, and (3) a loan program which would allow producers to hold their cotton stocks through periods of excess supply. A proposal developed by the National Cotton Council received acclaim and was largely incorporated into a bill introduced by Congressman Bowen, chairman of the Cotton Subcommittee (*19*, p. 146).

The administration's cotton proposal was offered during the Cotton Subcommittee's markup. There were major differences between the administration and the subcommittee in the method each used to determine allotments, target prices, and disaster payment provisions. The administration would have eliminated historic allotments, tied target prices to cost of production, and eliminated the "snap back" for low-yield disaster payments by basing them on the deficit in production below a disaster yield. The subcommittee decided against the administration's position.

Loan provisions accepted by the Cotton Subcommittee were similar to those accepted by the Senate. But the subcommittee adopted a target price set at 110 percent of the loan level for each of the 1978-81 cotton crops. This was in contrast to both the Senate Agriculture Committee and the administration which had recommended a cotton target price based on a cost of production procedure like that used for wheat and corn. The provisions of the 1973 act on prevented planting and low-yield disaster payments were extended for cotton.

Although several amendments were offered during the full committee's deliberation, no changes were made in the provisions reported by the subcommittee. Major amendments offered during markup were: (1) altering cotton allotment provisions to conform to the harvested acreage provisions for wheat and feed grains and (2) basing target prices on cost of production (*19*, p. 147).

Rice

The House Committee on Agriculture held public hearings on rice in late February. At that time, the administration, which had assumed office some 5 weeks earlier, had not developed its position on a rice program. Witnesses appearing before the committee generally agreed on an extension of the Rice Production Act of 1975 but differed in the recommended length of extension (*19*, p. 148).

Before the Oilseeds and Rice Subcommittee began its markup sessions, Congressman Bowen introduced a bill, H.R. 5298, which provided for a 4-year extension of the Rice Production Act of 1975. This bill provided for the continued adjustment of rice target prices based on changes in the PPI and for loan rates to be set so that the current and previous year loan rates would maintain a ratio identical to the current and prior year target prices.[9] This provision would in effect keep a loan rate of 75 percent of the rice target price throughout the life of the bill. Other provisions included: (1) a national allotment of 1.8 million acres; (2) apportionment of the national allotment to farms based on allotments established for the 1975 crop; (3) continued suspension of marketing quotas which allowed production of rice without, or in excess of, an allotment; and (4) rice disaster programs as developed in the 1975 act.

A bill introduced by Congressman Moore (Rep.-La.) amended the Bowen bill to provide that (1) payments to rice program participants would be based on the portion of the allotment actually planted to rice, (2) producers planting at least 90 percent of their allotment would receive payments on their entire allotment, and (3) acreage not planted because of some natural disaster or other event beyond the producer's control would be considered as planted for payment purposes. The Moore bill was the chief legislative item considered by the subcommittee during its markup sessions (*19*, p. 148).

During full committee markup, Congressman Findley offered an amendment setting the 1978 target price at \$7.20 per hundredweight.[10] This amendment was rejected, but a second Findley amendment which based changes in rice target prices on changes in the 2-year moving average of the variable, overhead, and machinery costs of producing rice rather than on changes in the PPI was accepted. This adjustment procedure was identical to that accepted for wheat and feed grains except that the adjustment would be initiated with the 1978 rice crop.

A third Findley amendment allowed the Secretary of Agriculture to adjust the rice loan level to encourage rice exports and to discourage the buildup of excessive stocks. The adjustment was restricted to a level between \$6.19 per hundredweight and 100 percent of parity. After an amendment by Congressman Mathis increased the minimum level for any adjustment to \$6.31 per hundredweight, the Findley proposal as amended was accepted (*19*, pp. 148-149).

Peanuts

On February 9, 1977, the Secretary of Agriculture announced the formation of a "Peanut Task Force" within the U.S. Department of Agriculture (USDA). The function of this task force was to gather recommendations from the peanut industry and other interested parties for revisions in the peanut program. The perceived need for revised legislation was based on price support levels linked to parity, a minimum national acreage allotment, rapid increases in peanut yields, large Government stocks, and

[9] H.R. 5298, House of Representatives, 95th Congress, 1st Session, March 22, 1977.

[10] Under the Rice Production Act of 1975, the target price for 1978 would have been the 1977 target price, \$8.25 per hundredweight, adjusted for changes in the PPI. Thus, the Findley amendment would have resulted in a substantial reduction in rice support levels.

large increases in Government outlays for the peanut program.[11]

After public hearings held in early 1977, the Peanut Task Force issued recommendations which served as a foundation for USDA's proposal to replace existing legislation. Among USDA's proposed changes were the following:

(1) Require the Secretary to announce by December 1 a national acreage allotment for the following year; however, the minimum allotment could not be less than 1.61 million acres.

(2) Require the Secretary to announce a minimum national poundage quota which would range from 1.68 million tons in 1978 to 1.44 million tons by 1981.

(3) Allow the Secretary to increase the minimum poundage quota in any year if he found the minimum quantity insufficient to meet estimated requirements for domestic edible use plus reasonable carryover.

(4) Require the establishment of a farm base production poundage equal to the quantity obtained by multiplying the allotment times the farm yield.

(5) Require the Secretary to make price support available to producers on each crop of quota peanuts; however, instead of basing price support on a percentage of parity, loans were set at a specified minimum level ranging from $390 in 1978 to $345 in 1981.

(6) Require the Secretary to make available to producers price support on "additional peanuts" with the level of support determined by taking into consideration such factors as the demand for peanut oil and peanut meal, export demand, and the expected prices of other vegetable oils and protein meals. Additional peanuts were defined as peanuts grown within a farm's allotment but in excess of its quota (*10,* pp. H3211-3212).

The Subcommittee on Oilseeds and Rice began consideration of peanut legislation in early May. In April, the Senate Committee on Agriculture, Nutrition, and Forestry had agreed to the administration's proposal with some changes (*23,* p. 48). Modifications accepted by the Senate included: (1) adopting a national acreage allotment of 1.614 million acreas, (2) agreeing to a minimum price support of $420 per ton for quota peanuts as opposed to the de-escalating price support levels suggested by USDA, (3) providing for a farm's poundage quota to be increased, beginning in 1979, by the amount by which the previous year's crop fell short of the farm's quota, and (4) agreeing that the level of price support could not be reduced by charges for inspection, storage, or handling, but that authorized deductions for location and other factors could be included.

[11] For a fuller discussion of the issues and controversy underlying debate on the program see (*24*).

The subcommittee agreed to draft legislation which consisted of the administration's proposal as amended by the Senate committee.[12] A minor difference was the subcommittee's retention of the 1.61 million-acre national allotment.

Two major amendments were offered during the subcommittee's markup session; both of these failed. First, Congressman Findley offered a substitute which would have replaced legislation under consideration by the subcommittee with USDA's original proposal. This would have reduced the price support level to $390 per ton in 1978. A second amendment offered by Congressman Jones (Dem.-N.C.) would have required the Secretary to establish area-type pools to distribute to producers any net receipts received by the CCC on the disposal of peanuts under loan.

When the full committee undertook markup of the "Peanut Act of 1977" Findley again offered his amendment to substitute the language of USDA's original proposal for the language approved by the subcommittee. His argument was based on the premise that a $390 per ton support level would still provide peanut producers with a higher level of support in relation to their cost of production than would the support levels approved for other crops. Opponents of the Findley amendment perceived the support levels provided in USDA's original proposal as being low and pointed out that the act would reduce the quantity of peanuts that any producer could place under loan at the quota rate (*19,* p. 28).

The committee also rejected two amendments offered by Congresswoman Heckler (Rep.-Mass.). One amendment would have made the $420 per ton support level the maximum rather than the minimum support rate for quota peanuts, whereas the other would have allowed unrestricted production of additional or nonquota peanuts (*19,* p. 28).

Congressman Jones again offered his amendment to establish area-type pools. However, his amendment offered to the full committee authorized, rather than required, the Secretary to establish the area-type pools as did the amendment offered to the subcommittee. The amendment was accepted by the full committee (*19,* p. 28).

[12] On August 31, 1976, the Committee on Agriculture reported to the House, H.R. 12808, the "Peanut Act of 1976." This act, which was applicable to the 1977 crop only, would have reduced the 1977 acreage allotment to 1,247,000 acres and provided for a two-tier price support system with "quota" peanuts being supported at not less than 70 percent of parity and nonquota peanuts at not more than 60 percent of the loan level for quota peanuts or 90 percent of the estimated value of peanuts for crushing, exports, or both, whichever was less. Quota peanuts would have been determined by multiplying the allotment by the farm yield whereas nonquota peanuts were those marketed in excess of the quota. H.R. 12808 would have restricted production of nonquota peanuts for crushing or export.

Food Stamps

As reported by the Committee on Agriculture, the food stamp title in H.R. 7171 contained only the authorization language necessary to comply with budget requirements. The full committee had not undertaken markup of specific food stamp legislation, although Secretary Bergland had presented the administration's food stamp proposal to the House Committee on April 5, 1977. The Secretary stressed measures to tighten and simplify the program and to improve access to individuals most in need. Major proposals included replacing itemized deductions with standardized deductions and eliminating the purchase requirement.

On June 24, the House Committee on Agriculture reported H.R. 7940, the "Food Stamp Act of 1977," to the full House. This bill called for a 4-year extension of the program that was consistent with other provisions of H.R. 7171 but divergent from the 2-year extension requested by the administration and from the 2-year program approved by the Senate.

As with the administration's proposal and the program approved by the Senate, the most notable change was the elimination of the food stamp purchase requirement. The committee selected the nonfarm income poverty guidelines for the United States as the income standard to be used in determining eligibility. This standard would be adjusted by changes in the Consumer Price Index (CPI). Under the House proposal, many of the deductions used in computing household income were similar to those accepted by the Senate and included a standard deduction of $60 per month, a deduction equal to 20 percent of earned income, a deduction of not more than $75 for excess shelter costs above 50 percent of household income after all other deductions, and a dependent care deduction of no more than $75 per month. One difference between the House and Senate versions was that the House did not use the excess shelter deduction to determine eligibility (*18*, pp. 11-12).

Household asset components were left to the discretion of the Secretary, but they could not exceed $1,500 for a one-person household nor $2,250 for households of two or more persons. If one or more members of a household was over age 60, the limit would be $3,000. Items which were to be counted in a household's financial resources included boats, snowmobiles, airplanes used for recreational use, vacation homes, mobile homes used primarily for vacation purposes, and vehicles which exceeded $4,500 in value.

Research designed to improve the effectiveness of the Food Stamp Program was also required by the committee bill. The Secretary of Agriculture was authorized to conduct pilot projects, on a trial basis, that would increase program efficiency and improve the delivery of program benefits to eligible households. The committee bill also required the Secretary to implement pilot projects in each State and the District of Columbia where work would be exchanged for food stamp benefits.

Public Law 480

In appearances before the House Committee on International Relations on March 22 and the Committee on Agriculture on March 24, 1977, Secretary Bergland outlined the administration's preferred changes in Public Law 480.[13] Among the suggested changes were the following:

(1) Extend P.L. 480 for 4 years.

(2) Revise the section of P.L. 480 which required that at least 75 percent of Title I commodities be allocated to countries with a per capita GNP of $300 or less, to use the World Bank's International Development Association poverty criterion. A waiver of the 75 to 25 percent allocation requirement was also recommended when the President certifies to the Congress that the quantity of commodities required to be allocated to countries in the 75-percent category cannot be effectively used to carry out the humanitarian purposes of Title I.

(3) Recommend an increase from $600 million to $750 million in the maximum annual appropriation for Title II.

(4) Propose an amendment allowing the CCC to be reimbursed at the export market price for Government-owned stocks made available to countries under Title II.

(5) Propose that the criteria for determining the availability of commodities be amended to provide a basis for making commodities available to countries in times of limited supplies to meet natural disaster needs or longrun commitments for humanitarian food needs.

The administration's proposed changes formed the basis for changes made in P.L. 480 by the House Agriculture Committee.

During its markup sessions, the committee entertained numerous amendments. Among those accepted were: (1) an amendment to include congressional veto authority over Presidential waivers in order to maintain the intent of the program; (2) an amendment removing the 75 to 25 percent requirement for allocating commodities; (3) an amendment to waive the limitation on availability of commodities, but restricting the waiver to "urgent humanitarian purposes" only; and (4) an amendment to limit extension of the program to 2 years. Other amendments considered and rejected by the committee were: (1) an amendment to use up to 5 percent of Title I repayments to construct commodity storage and other facilities in P.L. 480 recipient countries, and (2) an amendment which would prohibit tobacco products under Title I sales as contained in prior law for Title II assistance (*19*, pp. 159-161).

SUMMARY OF THE HOUSE COMMITTEE BILL

Target prices and loan rates agreed to by the House committee are shown in table 1.

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[13] For the complete text, see (*2*) and (*3*).

Table 1—Target price and loan levels agreed to by the House Committee on Agriculture, crop years 1977-78

Commodity	1977		1978	
	Loan	Target	Loan	Target
	Dollars			
Wheat (bu.)	[1] NC	2.65	2.35	3.00
Corn (bu.)	NC	1.85	2.00	2.10
Other feed grains	NC	(Adjusted in relationship to corn)	(Based on their relationship to corn)	
Cotton (lb.)	NC	NC	.51	.561
Rice (cwt)	NC	NC	6.31	8.40
Soybeans (bu.)	NC	---	[2]	---
Peanuts (ton)	NC	---	420.00	---

[1] NC = No change.
[2] A mandatory loan program was established. Specific levels were not stated.
--- = Target prices are not applicable to these crops.

The following summarizes other provisions contained in the House committee bill:

- The payment limitation on feed grain, wheat, and upland cotton producers was increased from $20,000 to $35,000, to be increased 10 percent per year for the 4-year bill. The $55,000 limit on rice producers was reduced 5 percent in 1978 and each succeeding year until equivalent to the limit for other crops.
- The milk marketing order authorization was extended, and the minimum milk price support level was set at 80 percent of the parity price with mandated semiannual adjustments through March 31, 1981.
- The wool price support was increased to 85 percent of the formula contained in the original wool act.
- The Soil and Water Conservation programs and Rural Development Act programs were extended with some modifications.
- A rural water assessment section provided for a study of coordinating programs relating to water resources. Authorized funding for Resource Conservation and Development (RC&D) and for soil and water conservation project grants was doubled to $500,000.
- The wheat and feed grain loan sections provided producers with the option of extending, upon expiration, their initial 11-month loan for an additional 12-month period. A second 12-month extension could be obtained with the consent of the Secretary if the market price was less than 75 percent of parity. The initial loan period would operate as before; the producer would be responsible for storage and interest; in the extended periods the Secretary would pay storage of 1 percent per bushel per month and waive interest charges. Storage facilities loans up to $50,000 at 7-percent interest were also authorized.
- In the Agricultural Research, Extension, and Teaching provisions, new authorization ceilings were established for ongoing research in food and agricultural sciences within a range from $505 million in FY 78 to $780 million in FY 82. Hatch Act authorizations for State Agricultural Experiment Stations were increased from $106 to $120 million in FY 78 and were to increase annually to $220 million by FY 82. A competitive research grants program was authorized for $25 million in FY 78 and was to increase annually to $50 million by FY 82. Total Extension Service, teaching, and facilities program authorizations were increased from $950 million in FY 78 to $1.4 billion by FY 82.
- The bill also provided for the creation of two statutory advisory groups: (1) a Joint Council on Food and Agricultural Sciences composed of professionals named by the Secretary of Agriculture from USDA, land-grant and other universities, State experiment stations, and other entities, and (2) a National Agricultural Research, Extension, and Teaching Policy Advisory Board composed of users of research from the agricultural community, consumer and environmental organizations, and the general public.
- A provision authorizing grants on a matching basis to States to aid in establishing or improving veterinary medical facilities was included.

- For peanuts, continued minimum acreage allotments and established minimum poundage quotas on peanuts for domestic edible use that started with 1.68 million tons for 1978 and declined to 1.44 million tons by 1981. The minimum loan level was set at $420 per ton for 1978-81. Production of peanuts in excess of the poundage quota, but from the allotted acreage, was allowed. The loan level for these "non-quota" peanuts was based on world supply and demand conditions.
- For cotton, the target price was set at 110 percent of the loan level. The loan was to be the lower of (1) 85 percent of the average U.S. spot price for low middling 1-1/16 inch cotton during the previous 4 market years, or (2) 90 percent of the Liverpool price in the first 2 weeks of October adjusted for transportation and other factors. Price support loans initially available for 10 months could be extended for an additional 8 months. A special import quota to augment domestic supplies under certain conditions was authorized. The ELS cotton program was extended without change.
- For rice, the 1975 act provisions were continued with adjustments in the target price and loan levels based on cost of production. The Secretary was authorized to reduce the loan level to keep rice competitive in world markets, but this could not be lower than $6.31 per hundredweight. The existing allotment system was unchanged.
- For soybeans, the bill mandated a loan program but left the level to the discretion of the Secretary.
- The committee bill replaced the traditional allotment system with the current plantings concept for wheat and feed grains. Payments would be based on a producer's share of a national program acreage determined from consideration of projected domestic and export needs, less imports, but in no case to be less than 80 percent of a producer's planted acreage.
- The Food for Peace Program (P.L. 480) was extended for 2 years with a new provision which limited the spending for Title I (concessional sales) to amounts provided in the appropriation acts. The limit on Title II (donations to underdeveloped nations) was increased from $600 to $750 million per year. The CCC was to be reimbursed at prevailing export prices rather than acquisition costs for commodities furnished by P.L. 480. New requirements were added for the Title I bidding process and for selling agents.

HOUSE FLOOR ACTION

This section highlights action undertaken to modify H.R. 7171 during House floor debate. The discussion is organized around issues considered by the House rather than the title of the bill or chronological sequence.

Sugar

During consideration of Title IX, Miscellaneous Commodity Programs, Congressman E. (Kika) de la Garza (Dem.-Tex.) offered an amendment requiring beet and cane sugar prices to be supported at a level between 55 and 65 percent of parity (*13,* p. H7646). This proposal was approved after changes were accepted which (1) authorized and directed the Secretary of Agriculture to establish minimum wage rates for agricultural employees engaged in sugar production and (2) limited the sugar program to the 1977 and 1978 crops.[14]

Acceptance of the de la Garza amendment by the House was somewhat unusual, as it established a price support program for an agricultural commodity without its first having been passed out of the Committee on Agriculture. Sugar had, however, received attention because of low farm prices, and in May 1977, the administration announced a direct payments program to bolster farm returns.

During debate on the de la Garza amendment, proponents of the sugar program focused on the level of sugar prices, costs of production, the need to provide producers with a fair return, and the need to assure consumers with a continuing supply of domestically produced sugar. Meanwhile, opponents of the amendment focused on increased consumer costs and the potential for the amendment to impair international negotiations.[15]

Acceptance of the de la Garza proposal, as amended, did not complete House debate on this issue. An amendment was offered subsequently to extend the price support program for 1977 to all domestic sugar producers. This amendment, which was approved, was designed to provide support to producers whose 1977 sugar crop was already under contract and who would have been ineligible for price support under the de la Garza amendment as adopted (*14,* p. H7704).

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[14] These amendments were offered by Congressman Burton (Dem.-Calif.) and Congressman McCormack (Dem.-Wash.), respectively (*13,* pp. H7649-H7650).

[15] During House floor debate, Congresswoman Fenwick (Rep.-N.J.) cited statistics from the Consumer Federation of America that the 55 percent of parity support price would cost consumers "in excess of $1 billion" and increase the price of a "10-pound bag of sugar by a minimum of 50 cents" (*13,* p. H7650).

On July 28, the last day of House floor action, the sugar issue was reconsidered by the House. On a demand for separate votes, the House again agreed, by a vote of 246 to 165, to the de la Garza amendment, but it rejected the amendment which established a price support program for 1977 crop sugar and which provided payments or benefits to all producers based on a price of 13.5 cents per pound.[16]

Peanuts

On July 22, Title VIII, Peanuts, of H.R. 7171 was read without amendment. However, 4 days later, peanut price support became an issue when an attempt was made to amend Title IX, Miscellaneous Commodity Provisions, to support the price of peanuts at a level not in excess of \$390 in 1978, \$375 in 1979, \$360 in 1980, and \$345 in 1981 (*15*, pp. H7758-H7767). These price support levels were identical to the levels originally recommended by the administration and well below the \$420 level agreed to by the Agriculture Committee.

Proponents of the reduced level of support argued that this change would result in reduced Government costs, lower prices for peanut-based food products, and a level of price support for peanuts more nearly in line with the level of price support provided the producers of other farm commodities. Those members of Congress taking an opposing stand argued that the House Agriculture Committee had developed provisions designed to reduce Government and consumer costs and also to provide protection to producers. This amendment was defeated by a three-vote margin, 207 to 210 (*15*, p. H7767).

Wheat and Feed Grains

The first amendment offered during House floor debate on the wheat title was designed to increase the target price proposed for 1977 from \$2.65 to \$2.90 per bushel, a level identical to that previously debated in committee and contained in the Senate version of the bill. This amendment by Chairman Foley was accepted and received wide acclaim from wheat State representatives as providing wheat producers with much needed help.[17]

Chairman Foley also introduced a floor amendment, which was accepted, to revise both the target price and loan level for the 1977 corn crop to \$2 a bushel. A target price of \$1.85 and a loan level of \$1.75 a bushel had been accepted by the Agriculture Committee.

[16] The separate votes were requested by Congressmen Lederer (Dem.-Pa.) and Ashbrook (Rep.-Ohio), respectively (*17*, pp. H8065-H8066).

[17] In introducing the amendment, Congressman Foley indicated that he would oppose any attempts to increase the target price for 1978-81 crops above those approved by the committee. Congressmen English and Sebelius (Rep.-Kans.) were recognized as helping to bring about the introduction of the wheat amendment (*12*, pp. H7563-H7565).

The House also accepted an amendment requiring the Secretary of Agriculture to reduce the loan rate level for wheat in the next marketing year if the average market price received by producers was not more than 105 percent of the loan level in the current year. Producers would have been guaranteed the same total return for their wheat through an increased target price, and any increase in target price payments would have been exempt from payment limitations. A maximum downward adjustment in the loan level was not specified. An identical provision was accepted for corn.[18] These amendments were based on arguments that providing increased flexibility in the commodity loan programs would help avoid situations in which a high loan rate relative to world market prices could impair the competitiveness of domestically produced crops.

Other amendments were approved which (1) extended the low-yield disaster provisions of H.R. 7171 to the 1977 crop; (2) limited disaster programs for wheat, feed grains, cotton, and rice to the 1978 and 1979 crops; (3) allowed farm acreage bases to be determined on either the current year's plantings or the prior year's plantings; (4) prohibited reduction of the wheat or feed grain acreage eligible for payment if producers reduced their planted acreage from the prior year by the amount recommended by the Secretary when he announced the national program acreage, or complied with set-aside provisions when in effect; and (5) extended target price protection to oats if designated *a program crop* by the Secretary of Agriculture.

Cotton

H.R. 7171, as reported to the House floor, retained intact the historical procedure for determining and assigning cotton allotments. But during floor action, Congressman Bowen, chairman of the Cotton Subcommittee, introduced an amendment which effectively restructured the cotton program. This amendment replaced the historical allotment system with a farm program acreage system identical to that adopted for wheat and feed grains, reduced the minimum national program acreage to 10 million acres, based set-asides on acreages of upland cotton in the current year (but retained the 28-percent maximum), based the farm program yield for cotton on the farm's actual yield for the previous 3 years, and revised the low-yield disaster program to eliminate inequities contained in the 1973 act. The Bowen amendment was accepted without opposition (*13*, pp. H7641-H7643).

In other action, the House approved an amendment offered by Congressman Poage which placed a floor under the cotton target price at 51 cents per pound. Poage argued that cotton's target price was based on the loan level, which in turn was based on market prices, which could lead to a downward turn in cotton's target price (*13*, p. H7641).

[18] Both loan reduction amendments were introduced by Congressman Findley (*12*, pp. H7574-H7575).

Payment Limitation

Attempts were made to reduce the committee's recommended payment limit. Congressman Findley offered an amendment which would have limited payments to individual producers to $20,000, the dollar limit contained in the 1973 act for wheat, feed grains, and cotton, but the Findley proposal differed in that it would also have included rice (*11*, p. H7455).

Findley argued that the purpose of Government payments was to help farm families over economic crises brought on by depressed commodity prices and that raising the limit would favor large corporate-type farms. Chairman Foley opposed the Findley amendment on the grounds that the existing limit, $20,000, did not reflect inflationary changes in input prices that had occurred since 1973. Foley also argued that a restrictive payment limit would cause large farms to lose interest in Government programs and would fail to comply with production adjustment programs such as set-asides, thereby hurting small farmers in the long run (*11*, p. H7456). This amendment was defeated.

On July 28, shortly before House passage of H.R. 7171, Findley made a motion to recommit the bill to the Agriculture Committee with instructions to limit payments to wheat, feed grain, cotton, and rice producers to $30,000. For a second time, Chairman Foley opposed Findley's attempt to lower the payment limitation. The motion to recommit H.R. 7171 to committee was defeated by a surprisingly close vote of 201-210 (*17*, pp. H8066-H8067). The closeness of the vote illustrates the intensity of the debate on this particular issue and the close margin by which the House averted a situation which might have delayed impending conference action until after the August recess, scheduled to begin at the close of business on August 5.

Congressman Nolan introduced an amendment to prohibit payments to large corporate farms. Corporate farms remaining eligible to receive payments under the Nolan amendment were limited to those farms for which the controlling stock was held by producers who lived on the land and farmed it. Nolan's amendment was rejected by a vote of 199 to 207 (*11*, pp. H7458-H7466).

Disaster Programs

Congressman Madigan (Rep.-Ill.) introduced an amendment to terminate disaster programs for wheat, feed grains, cotton, and rice at the end of the 1979 crop year. In introducing his amendment, Madigan said:

> To change this bill as I would change it by these amendments will make the bill exactly the same in this regard as the bill produced by the other body. In their action they took this position because they said it would provide the necessary incentive to see that within 2 years we would do away with these disaster programs and write an all-crop, all-risk insurance program.

The Madigan amendments were approved (*12*, p. H7576).

Food Stamps

The House undertook consideration of the food stamp title on July 26 and continued debate for more than 2 days. Seventeen amendments were considered. These included placing a ceiling on expenditures for the Food Stamp Program, denying food stamp benefits to strikers, retaining the food stamp purchase requirement, and permitting the Secretary to implement work projects if requested by State agencies, as well as amendments to limit the purchase of "junk foods," and to allow States the option of issuing cash instead of food stamps to blind, elderly, or disabled persons.

Amendments offered by Congressmen Walker (Rep.-Pa.) and Symms (Rep.-Idaho) sought to establish some nutritional guidelines for determining which foods would be eligible for the Food Stamp Program. The Walker amendment would have resulted in restricting the use of food stamps "to purchase (of) nutritional foods." His amendment included a formula for certifying foods as nutritional. The Symms amendment defined food to exclude "any food, food product or condiment which the Secretary. . .determines has such negligible or low nutritional value. . .as to be inappropriate for inclusion in a nutritionally adequate diet." Both the Walker and Symms amendments were rejected (*16*, pp. H7881-H7890).

The House approved an amendment introduced by Congressman Mathis (Dem.-Ga.) to place a ceiling on the expenditures of the Food Stamp Program. This ceiling was set at not more than $5.85 billion in 1978 escalating to $6.24 billion for the fiscal year ending September 30, 1981. The Mathis amendment required the Secretary to limit the value of food stamp allotments to an amount not in excess of the appropriation and to require that States reduce the value of allotments if necessary to comply with the ceiling.

Mathis emphasized that without the expenditure limit the Congress would have "no handle or authority in the food stamp program" (*16*, p. H7891). He also noted that USDA could ask for a change in the food stamp authorization if additional funding was needed. The amendment was opposed on the grounds that the cost of the Food Stamp Program is largely influenced by external factors such as unemployment and inflation (*16*, p. H7893).

An amendment offered by Congressman Kelly (Rep.-Fla.) would have excluded persons participating in a strike action from food stamp eligibility. The amendment did provide that, if an individual was eligible for food stamps before going on strike, he would not lose his eligibility by going on strike. Congresswoman Fenwick (Rep.-N.J.) sought to amend the Kelly amendment by excluding strikers whose household included children under 16 years of age. This amendment was defeated on a roll call vote of 152 to 266. Fenwick then offered a second amendment which would have excluded strikers whose households included children under 16, or disabled or elderly depen-

dents; this amendment was also rejected. Finally, the Kelly amendment was rejected on a roll call vote of 170 to 249 (*16,* pp. H7897-7906).

Another amendment which both proponents and opponents declared would go to the heart of the Food Stamp Program was offered during floor debate. This amendment would have restored the cash requirement for food stamp purchase by requiring a household to pay up to 30 percent of its monthly income for the coupon allotment. Arguments in favor of restoring the purchase requirement focused on nutritional and fiscal aspects of the Food Stamp Program. Arguments in favor of retaining the House position to eliminate the purchase requirement focused on (1) improved accessibility of the program, (2) elimination of vendor fraud, (3) reduction of administrative costs and streamlining of the program, and (4) reduction of the possibility for a food stamp black market (*16,* pp. H7911-H7921). After considerable debate, this amendment was rejected. Finally, the language of H.R. 7940, as amended, was adopted as a substitute for the language contained in H.R. 7171, as reported by the Committee on Agriculture.

Public Law 480

On July 26, the House began consideration of Public Law 480. Seven amendments were entertained.

Congressman Johnson (Rep.-Colo.) offered an amendment to prohibit the sale of tobacco and tobacco products under Title I of P.L. 480.[19] Johnson argued that neither "the tobacco industry nor the producer owes their existence to the food for peace program." He further argued "that Federal promotion of this poison, which the Government characterizes as one of our most serious public health problems, is inexcusable in a food for peace program" (*15,* p. H7774). Opponents of the amendment focused on the fact that tobacco was already prohibited under Title II and could only be included in Title I, which is for cash, and further contended that if tobacco was not exported under P.L. 480, importing countries would simply turn to other producing countries.

Congressman Whitley (Dem.-N.C.) offered an amendment as a substitute for the Johnson amendment. The Whitley amendment required simply that first priority in the allocation of funds made available under Title I be given to financing the sales of food and fiber. Whitley, reemphasizing that tobacco is an eligible commodity only under Title I, stated, "The Whitley substitute will insure that tobacco is not substituted for food, but will permit Public Law 480 exports under Title I when all food requests have been filled" (*15,* p. H7776). The Whitley substitute was accepted, and the Johnson amendment, as amended, was accepted.[20]

Other amendments to the P.L. 480 title approved by the House included: (1) a requirement that the Secretary of Agriculture submit every other year, beginning January 31, 1978, a hunger impact statement concerning domestic and international food assistance programs; (2) an amendment that USDA act as purchasing or shipping agent, or both, in arranging P.L. 480 sales for a foreign country; and (3) a sense of the Congress amendment that there be no discrimination between "price supported" and "non-price supported" in the programming of commodities under Public Law 480 (*15,* pp. H7780-H7784).

CONFERENCE RESOLUTION

The conference committee convened August 1 and completed its work prior to close of business on August 5. As a congressional recess was scheduled to begin at this time, neither Chamber had time to consider action by the conference committee.

Several issues necessitated the conference committee's completing its work before adjournment. An important consideration was that producers of winter wheat normally begin seeding in late summer. Thus, before both Houses of the Congress could act on the conference committee report and the President could decide whether to sign or veto the legislation, the work of the committee was needed as the basis for program proposals being developed for the 1978 winter wheat crop.[21] Another consideration was the short period of time between the end of Labor Day recess (September 7) and the October 1 expiration of several provisions contained in the 1973 act, including budget authorizations for P.L. 480 and the Food Stamp Program.

Within this 3-week period, both the House and Senate faced a shorter, more rigid, and perhaps less well-known time constraint which was imposed by the requirements of the Congressional Budget and Impoundment Control Act of 1974. This statute required the Congress to com-

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[19] Tobacco and tobacco products were already ineligible for use under Title II of P.L. 480. Section 210 of H.R. 6714, the International Development and Food Assistance Act of 1977, as passed by the House contained this amendment, but the amendment was dropped during a House-Senate conference.

[20] Speaking in opposition to the Whitley amendment, Johnson called it "a cosmetic amendment" that "does not address itself to the question." The Whitley substitute was approved by a recorded vote of 260 to 151 (*15,* pp. H7779-H7780).

[21] A tentative winter wheat program was announced August 31, while the Congress was in recess. As permanent legislation does not provide the Secretary with the authority to proclaim a cropland set-aside, the Secretary would have been unable to announce the intended wheat set-aside in a timely fashion without the committee's direction.

plete action on a budget resolution for FY 78 by September 15, 1977. Earlier, provisions of the Budget Act had required both the House and Senate agriculture committees to report their respective versions of the farm bill from committee on or before May 15, 1977. This second budget resolution replaced target spending and revenue levels set in the May budget resolution, and it established binding budget levels for FY 78. The conference committee's work likely was used as a basis for estimating budgetary expenditure levels associated with the bill.

ISSUES RESOLVED BY THE CONFERENCE

Many differences in the House and Senate bills were technical and required little of the committee's time. Other issues, however, were more controversial, and required substantial time for consideration and debate. Among the more controversial issues were: the loan rate and target price levels for wheat and feed grains for the 1977 and 1978 crops; the method of adjusting target prices and loan rates; support for raw sugar; a ceiling on food stamp expenditures; P.L. 480; disaster aid programs; payment limitations and set-aside requirements for wheat, feed grain, cotton, and rice crops; and, indirectly, the amount of program flexibility to provide the Secretary of Agriculture through discretionary authority as opposed to requirements mandated by legislation.

The conferees held their first session on August 1, and immediately struck their first compromise by accepting the Senate's entitlement for the bill, "Food and Agriculture Act of 1977," and the House bill's duration of 4 years, 1978 through 1981.

Wheat and Feed Grain Target Prices and Loan Levels

On Wednesday, August 3, the target price and loan rate provisions for wheat and feed grains were addressed. The conferees spent several hours debating the issue; Secretary Bergland met with them before they came to agreement on price and income support levels for wheat and feed grains.

Upon entering conference, the conferees had differences on the target price level for wheat for 1978, the target price and loan rate levels for corn and other feed grains for both 1977 and 1978, and the method of adjusting target prices and loan levels for 1979 and subsequent crops. The House and Senate positions prior to conference are shown in table 2.

Perhaps the most controversial, difficult income support issue resolved by the conference committee was the wheat target price level for 1978. The Senate recommended a target price of $3.10 a bushel, whereas the House proposed a target price of $3 a bushel. Both support levels were based on cost of production estimates with differences resulting from calculation procedures and the rate of return to provide land and management. A compromise was reached when the conferees agreed to a proposal spearheaded by Senator Humphrey. The compromise tied the 1978 wheat target price to the volume of production.[22] The conferees agreed to a target price of $3.05 if farmers produced less than 1.8 billion bushels of wheat during the 1978 crop year or $3 if total production was more than 1.8 billion bushels. Once the conferees had reached a compromise on the wheat target level, the 1978 corn target level was no longer an obstacle, and the conferees agreed to accept the House's proposed target price of $2.10 a bushel for 1978.

The Senate had required that target prices for 1979 and subsequent crop years be equal to the cost of production, which was defined as including a charge for variable and overhead costs, a return to management, and a return to land based on a composite land charge, which included

[22] For further discussion of these issues see (*5*, p. 15).

Table 2—Wheat and corn target price and loan levels prior to conference, crop years 1977-78

Item	1977		1978	
	Loan	Target	Loan	Target
	Dollars/bushel			
The House bill:				
Wheat	[1] NC	2.90	2.35	3.00
Corn	2.00	2.00	2.00	2.10
The Senate bill:				
Wheat	NC	2.90	2.47	3.10
Corn	1.75	1.70	2.00	2.28

[1] NC = no change.

share rent, cash rent, and owner-operated land based on average acquisition value. In addition, the Senate defined the yield to be used in determining unit costs as the "most recent five-year weighted national average harvested yields for wheat and cotton and the most recent five-year weighted national average yields of corn harvested for grain" (*22*, pp. 21-22).

In contrast, the House recommended an adjustment procedure reflecting changes in a moving 2-year average of variable, machinery ownership, and general farm overhead production costs. Although removed from the adjustment formula for 1979-81 crops, the House included a return to both land and management in the target prices initially established for wheat and corn in 1978.[23]

The Senate conferees agreed to the House formula for adjusting target prices. An economic argument underlying this issue was the land/support price spiral. The point of view presented by the administration during debate cited the potential that support prices, based on changes in land costs, would further fuel the farmland inflationary price spiral.

The conferees also needed to decide both the level and the method of adjusting the loan levels for wheat and feed grains. Although neither Chamber proposed a change in the wheat loan level for 1977, House and Senate provisions for wheat and feed grain loan levels and adjustment procedures for 1978 and subsequent crops were vastly different.

The Senate established the loan level for wheat at not less than 85 percent of the cost of production for 1978 and subsequent years. The cost of production for wheat for 1978 was determined by the Senate to be $2.91 which resulted in a loan minimum of $2.47 a bushel. The Senate also recommended a $2 per bushel loan minimum for corn in 1978 with the loan minimum set at 85 percent of the cost of production in 1979 and beyond. In addition, Senate loan provisions prohibited the Secretary of Agriculture from reducing the effective loan level by any deductions for storage costs.

The House proposed a minimum wheat loan level for 1978 and beyond of $2.35, with an upper limit of 100 percent of parity. For corn, the House provided for a loan level of not less than $2 a bushel. House loan provisions for wheat and corn also required the Secretary of Agriculture to reduce the loan rate level in the next marketing year if the average market price received by producers was not more than 105 percent of the loan level in the current year. A maximum downward adjustment was not specified.

Senate conferees agreed to accept the House's $2.35 minimum loan for wheat for 1978 and beyond. They accepted 100 percent of parity as the upper limit and, thus, provided for Secretarial discretion in setting the level of wheat loan rates. The conferees also accepted $2 as the minimum loan for corn.

House provisions calling for variable loans were approved, but with modification. The committee accepted a compromise allowing the Secretary of Agriculture to reduce the level of the wheat or corn loan by 10 percent if the average price received by farmers in the previous marketing year was less than 105 percent of the loan level. An absolute lower limit of $2 was established for wheat and $1.75 for corn. The provision was made discretionary instead of mandatory as provided by the House.

Sugar

The sugar price support program approved by the conference was viewed as one of the major compromises.

A sugar program was not addressed by the Senate during markup or floor debate on S. 275; thus, on entering conference, a major conflict arose between the House and the administration. Debate centered on both the level and kind of support to provide growers. The administration had proposed to support sugar at 13.5 cents per pound through a direct payments program similar to that for wheat, feed grains, and cotton, thereby avoiding restrictive trade measures. The sugar program developed in the House required sugar prices to be supported through a CCC price support program; the price support level was to range between 55 and 65 percent of parity.

The conferees agreed to retain the House sugar program with modifications. Their compromise set the minimum price support level at 52.5 percent of parity, but not less than 13.5 cents per pound, whereas the upper limit on sugar support was retained at 65 percent of parity. The agreement also contained provisions allowing the Secretary of Agriculture to suspend the support program in the event an International Sugar Agreement was negotiated and found workable in maintaining raw sugar prices at or above the 13.5-cent per pound level. In addition, the conferees retained the House provision directing the Secretary to establish minimum wage rates for agricultural employees engaged in the production of sugar.

Cotton, Rice, and Peanuts

Relative to wheat, corn, and sugar conflicts, the cotton, rice, and peanut legislative programs were, essentially, nonissues for the conference committee. The interest groups, administration, House, and Senate had reached substantial agreement prior to conference. Thus, differences in program language required little time to resolve.

Cotton

As was discussed earlier, the Senate adopted a cotton program with support, production control, and disaster provisions similar to those for wheat and feed grains. In the House bill, the target price for upland cotton was keyed to the loan rate level rather than to cost of production (table 3).

[23] On March 24, 1977, Secretary Bergland presented the administration's proposed income support levels (target prices) for grain and cotton. They were equal to the direct costs of production, plus a return to management, and a land ownership return equal to 1.5 percent of the current value of land. Beyond 1978, the administration recommended adjusting target prices for changes in direct cost only (*3*).

Table 3—Cotton target prices and loan rates before conference, crop years 1977-78

Item	1977		1978	
	Loan	Target	Loan	Target
			Dollars	
The House bill:				
Cotton	[1] NC	NC	[2]	110 percent of loan rate but not less than 51 cents per pound
The Senate bill:				
Cotton	NC	NC	[2]	[3] .51

[1] NC = no change.
[2] See *Summary of the House Committee Bill* for measures establishing cotton loan rates. The House, administration, and cotton interests also recommended this procedure for establishing loan levels. The Senate required cotton loan levels to be announced by November 1 preceding the year for which the loan was to be effective.
[3] The procedure to be used in determining cotton's cost of production was identical to that accepted for wheat and feed grains and included a charge for all direct or variable costs, overhead costs, and a return to management and land.

The conferees rubber-stamped identical loan adjustment provisions without dissent. However, the target price level for 1978 and the adjustment procedure to be used for 1979 and subsequent years was an issue of greater substance. Initially, the conferees tentatively accepted the House method of computing target prices at 110 percent of the loan level, which in turn was based on either domestic or world prices. A House provision setting the minimum target price at 51 cents per pound was also retained. Administration officials, opposing the House target price adjustment procedure, preferred a compromise providing an adjustment procedure similar to that for wheat and feed grains.

After resolving wheat and feed grain price support issues, the conferees reconsidered their earlier action and established the cotton target price for 1978 at not less than 52 cents. The adjustment procedure accepted for the 1978 through 1981 cotton target prices modified the previous year's target price to reflect any change in a 2-year moving average of variable, machinery ownership, and general farm overhead costs of production. This adjustment procedure was identical to that accepted for wheat and feed grains. In addition to the 52-cent minimum target price for 1978, the conferees retained the House provision calling for a 51-cent per pound target price minimum for the 1979 through 1981 cotton crops.

The conferees adopted House/Senate provisions replacing the existing allotment system for cotton with a system of basing payments on current plantings. A procedure for allocating the national program acreage to farms, identical to that for wheat and feed grains, was also accepted. The conferees accepted a House-sponsored provision that the national program acreage for cotton would not be less than 10 million acres and that the program acreage allocation factor could not be more than 100 percent. They deleted a provision calling for a 30-percent increase in payments going to small cotton farmers.

Rice

The conferees adopted provisions for rice legislation virtually identical to the Rice Production Act of 1975, although differences existed in the procedure for adjusting the target price and loan levels and the disaster programs.

The conferees agreed to the House target price adjustment procedure which based the target price on the previous year's target adjusted to reflect changes in the average of the previous 2 years' variable, machinery ownership, and general farm overhead costs of production. This adjustment procedure was identical to that accepted for wheat, feed grains, and cotton except that the adjustment began in 1978 for rice and in 1979 for the other grains.

Both the House and Senate provisions required the Secretary to adjust rice loan levels so that the loan level in the current year maintained the same ratio to the previous year's rate as the target price had to the previous year's target price. A House provision allowing the Secretary to lower the loan level to keep U.S. rice competitive in export markets was also accepted; but the loan could not be reduced below $6.31 per hundredweight.

Disaster Programs

Differences existing between House and Senate measures for disaster protection centered on determining the volume of a farmer's production that would be eligible for disaster relief, the yield level to use, and the payment rate allowed for prevented planting and low-yield disasters.

The Senate bill provided for a prevented-planting disaster payment to wheat producers based on the smaller of:

(1) the cropland intended to be planted to wheat, or (2) the acreage planted to wheat for harvest in the preceding year, including any acreage which the farmer was prevented from planting to wheat or other nonconserving crops. In contrast, the House based its prevented planting payments on the smaller of: (1) the acreage intended to be planted to wheat, or (2) the average acreage planted to wheat in the previous 3 years, including acreage the producer was prevented from planting to wheat or other nonconserving crops. Prevented planting payments under the Senate measure were based on 33-1/3 percent of the target price and 75 percent of the farm program yield. In contrast, the House based its payment on 75 percent of the projected farm yield and 20 percent of the target price. Senate provisions were accepted.

Prevented planting provisions for feed grains and cotton were identical to those for wheat. The conferees agreed to base prevented planting payments for rice on acreage affected within the farm's allotment; the per acre payment rate was based on 33-1/3 percent of the target price times the farm program yield.

The conferees agreed to provide eligible producers low-yield disaster payments if the total quantity of wheat that they were able to harvest was less than 60 percent of normal. Normal production would be determined by multiplying the farm program yield times the acreage planted for harvest. The conferees accepted a low-yield payment rate equal to 50 percent of the target price. Payment would be made on the deficit in production below the 60-percent normal production cutoff. An identical low-yield program was accepted for feed grains. For cotton and rice, low-yield disaster payments were based on the production deficit below the 75-percent level. The payment rate was set at 33-1/3 percent of the target price.

Grain Reserves

During the legislative debate, grain reserves were approached as a tool which could help provide more orderly marketing patterns for farm commodities as well as a source of farm commodity supply security for both domestic and foreign consumers. The administration had recommended a producer-held reserve program, and both Houses had included reserve provisions in their respective bills. Thus, during conference, the issue was not the need for a reserve program, but rather the scope and technical aspects of reserve management. Major aspects of the House and Senate producer-held reserve programs are shown in table 4.

Table 4—Congressional grain reserve proposals

Provisions	S. 275	H.R. 7171[1]	
	Reserve	Extended loan	Reserve
1. Crops eligible	Wheat and feed grains	Wheat and feed grains	Wheat and feed grains
2. Size	Wheat: 300-700 million bushels with upper limit which can be adjusted to meet international reserve obligations. Feed grains: unspecified.	No limitation placed on quantity placed under extended loan	25-35 million tons of grain
3. Length of extended loan and interest rate	3-5 years with interest rate based on that charged CCC by the Treasury	Extends original loan at time of maturity (minimum 11 months). Additional 12-month extension granted except when market price exceeds 75 percent of parity; Secretary's approval then required. Extended loans are interest free.	3-5 year storage contracts with producer having stored commodity under loan
4. Storage payments	Payments to cover storage costs	1 cent per bushel per month	Payments for storage costs, but storage incurred during first 8 months of marketing year paid by producer

Continued—

5. Redemption requirements	Penalty-free redemption allowed when market price is between 140 and 160 percent of current loan rate. Early release requires Secretary to recover storage payments and assess interest penalty and other charges. Secretary cancels loans when market price exceeds 200 percent of existing loan rate.	Not specified	Penalty-free redemption price is between 140 and 160 percent of current loan rate. Penalties for earlier redemption to remove any producer advantage. Secretary can cancel contracts whenever market price reaches higher than 160 percent of current loan rate or 130 percent of average market price in previous 3 years. Cancellation is limited to amount by which demand exceeds supply.
6. Commodity Credit Corporation (CCC) operation	Minimum release price for CCC-owned wheat at 110 percent of producer reserve release price	Minimum release price for CCC-owned wheat and feed grains at 150 percent of current loan rate, except in case of specified disasters or to prevent waste.	Minimum release price for CCC-owned grain at 150 percent of current loan rate.
7. Disaster reserve	Acquired through price support program or direct purchase for disaster reserve	Not specified	Not specified
8. International emergency food reserve	Authorizes President to negotiate. Requires Secretary to acquire 2-6 million tons of food stocks to indicate commitment.	Not specified	Not specified
9. Farm facility loans	Provides loans for storage of dry or high-moisture grain, soybeans, rice, and high-moisture silage; loans deducted from price supports; loan guaranteed up to 80 percent of cost or $50,000; not in excess of 10 years. Capacity equal to average quantity of crop produced in previous 2 years.	Farm facility loans authorized through 1981 for producers of wheat, feed grains, rice, or soybeans. Amount not less than 75 percent of cost or more than $50,000. Interest rate at cost of money to CCC but not more than 7 percent for term not to exceed 10 years. Capacity based on the need to store 2 years' production.	Same as that stipulated in House extended loan program.

[1] The House reserve program was originally offered as an amendment to the mandatory reseal program which had been developed by the Agriculture Committee. The amendment was offered by Congressman Weaver (Oregon) and became known as the Weaver-Smith reserve program. During debate on the Weaver reserve amendment, Congressman Foley, Chairman of the House Agriculture Committee, offered a substitute to the Weaver-Smith amendment. Foley's amendment kept the Agriculture Committee's mandatory reseal program intact and added to a new section of the bill the language of the Weaver amendment which made the reserve discretionary. Congressman Harkin then offered an amendment to the Foley amendment which reinserted the word "shall" which again made the reserve mandatory. On a recorded vote of 141-223, the Harkin amendment was defeated. The Foley substitute was then passed, and the amendment as a whole was accepted. A key argument during this debate focused on the need to give the House conferees room to negotiate with the Senate as well as provide the Secretary discretion in establishing a reserve program (*13* pp. H7661-H7672).

The conferees agreed to a provision requiring the Secretary of Agriculture to administer a producer-held reserve program for wheat and rice by extending loan contracts for 3 to 5 years as proposed in the Senate bill. The quantity of wheat to be held in the reserve was pegged at not less than 300 million bushels nor more than 700 million bushels with the upper limit adjustable to meet any U.S. commitments to an international grain reserve agreement. House conferees also agreed to base interest rates for loans on the cost of money to the CCC and to allow the Secretary of Agriculture to determine the rate of payment for storage.

The Secretary was given discretionary authority to establish a similar reserve program for feed grains with the quantity of grain to be stored in a feed grain reserve unspecified. Agreement was also reached on loan repayment procedures and penalties for early withdrawal of grain. Senate measures were largely accepted. The level at which the Secretary could call loan contracts was lowered to 175 percent of the current loan rate. The feed grain reserve would be structurally identical to the wheat reserve, except that the Secretary might determine the trigger price at which producers could redeem their loans as well as the trigger price at which loans could be called.

A CCC resale provision was established whereby the Secretary might not sell any CCC-owned grain stocks at less than 150 percent of the current loan rate whenever an extended loan program was in effect. If an extended loan program was not in effect, the CCC could sell-Government-owned stocks at 115 percent of the existing loan level.

Both bills required the Secretary to make farm storage facility loans available to producers through the CCC. Senate provisions enumerating types of commodities for which loans were available were accepted along with House-sponsored provisions on size and financing. Other storage measures accepted by the conferees included the following provisions: (1) repayment of facility loans could be deducted from price support proceeds, and (2) the farm storage facility loan program would cover a 4-year period.

Support for "Other" Nonbasic Commodities

Section 301 of the Agricultural Act of 1949 provided the Secretary of Agriculture with a permanent program tool under which price support could be made available to producers of nonbasic agricultural commodities through loans, purchases, or other operations. The 1949 act defined a "nonbasic agricultural commodity" as any agricultural commodity except corn, cotton, peanuts, rice, tobacco, and wheat which were defined as "basic agricultural commodities."[24] Section 301 of the 1949 act did not apply to producers of tung nuts, honey, or milk, for which price support programs were required in Section 201 of the 1949 act.

The House version of the farm bill contained an amendment to Section 301 of the 1949 act, authorizing the Secretary of Agriculture to make price support available for the 1978 through 1981 crops of soybeans, flaxseed, dry edible beans, and gum naval stores, and for any other "nonbasic" commodity except those provided support under Section 201 of the 1949 act. Price support activity would be terminated in any crop year in which the net outlays for the commodity exceeded $50 million. Commodities such as soybeans, which were included in the amendment, would be exempted from the $50 million price support outlay limit.[25]

Senate conferees whose version of the bill did not contain a comparable provision agreed to the House price support restriction after clarifying amendments had been made. First, an amendment was approved which specifically stated that the "outlay" limitation would not apply to any price support program in effect on the date of the bill's enactment. Second, the conferees deleted references to soybeans and to the 1978 sugar crop, for which the conferees developed a specific price support program.

This amendment was largely a budgetary control mechanism which gave the Congress control of potential outlays for price support operations developed to aid producers of nonbasic commodities. For instance, the program of direct payments to sugar processors, which was designed to be shared by processors and growers and thus support producer incomes, was grounded in the authority provided the Secretary of Agriculture in Section 301 of the Agricultural Act of 1949. It is probable that this amendment arose from the sugar controversy.

American Agricultural Protection Program

H.R. 7171 contained a provision for price protection to U.S. producers in the event that the executive branch of the Federal Government placed an embargo on foreign trade shipments of domestically produced agricultural products. Specifically, the Secretary of Agriculture would be required to set the loan rate for a commodity at 100 percent of parity whenever export sales of the commodity are suspended, or caused to be suspended, through executive order. The loan level would be increased on the day the export suspension was implemented and would remain in effect until the embargo was lifted.[26] Commodities extended this price protection were wheat, corn, grain sorghum, soybeans, oats, rye, barley, rice, flaxseed, and cot-

[24] Section 408(c) and 408(d), Agricultural Act of 1949.

[25] This provision originated during House floor action on H.R. 7171 (*14,* p. H7766).

[26] This provision was first offered as an amendment to the Subcommittee on Livestock and Grains of the House Committee on Agriculture by Congressman English (*19,* p. 152).

ton. This proposal was accepted with modifications requiring the loan rate to be increased to 90 percent of parity instead of 100 percent, and it referred to export suspensions based upon a determination of short supplies.

Provisions for Cropland Set-Aside

Both versions of the farm bill contained cropland set-aside provisions for major program crops (wheat, feed grains, upland cotton, and rice). The most significant difference between the two bills was the House provision giving the Secretary of Agriculture authority to require producers to reduce the amount of acreage which they normally used to produce crops. Additionally, whenever a set-aside was in effect, a producer could be required to participate in and comply fully with each of the programs for wheat, feed grains, upland cotton, and rice, to be eligible for benefits from any program.[27]

This provision was designed to give the Secretary of Agriculture a tool he could use to require a reduction in the cropland which a producer had committed to crop production. This tool was viewed as being essential to the development of an effective program to reduce the acreage committed to crop production and, thus, aggregate output.

Other differences between House and Senate provisions for cropland set-aside included a provision which triggered a wheat set-aside if carryover stocks reached an arbitrary level and which determined the acreage basis for establishing wheat and feed grain set-asides. The Senate bill required a set-aside if wheat carryover at the end of a marketing year exceeded 75 percent of domestic use. This provision was deleted by the conferees. Set-aside requirements in the Senate bill were based on acreage planted to wheat in the preceding year. In the House bill, set-aside could be based either on acreage planted to wheat in the previous or in the current year. The conferees approved the House provision with an amendment providing for set-aside based on a specified percentage of the acreage planted in the current year. These provisions replaced amended statutes which based a farm's set-aside on a specified percentage of its acreage allotment for a crop.

Food Stamps

Although revisions in the Food Stamp Program were the most substantial since the program became permanent in 1964, most of the basic changes had been made on the House and Senate floors, thereby reducing the number of issues to be resolved by the conferees.

Major differences between the House and Senate versions of the food stamp title of the 1977 act were: (1) the length of time to extend the program authorization, (2) the House provisions imposing a spending limit and requiring pilot work projects, and (3) the method used to handle a deduction for high shelter costs.

Senate conferees agreed to a 4-year extension of the program instead of the 2-year extension provided by S. 275.[28] It was also agreed to uphold the House-sponsored provision which imposed a spending ceiling on the program of $5.85 billion, $6.16 billion, $6.19 billion, and $6.24 billion in fiscal years 1978 through 1981, respectively.

The administration opposed the spending limit and favored deletion of the provision, as it did not relate to significant factors in the Food Stamp Program, for example, changes in food costs and changes in the size of the population requiring food stamp coverage. However, the spending limit was retained after the Senate conferees voted 5 to 3 to accept the ceilings approved by the House.[29]

Language adopted by the conferees also required the Secretary to establish 14 pilot projects to test a public work requirement for those unable to find employment in the private sector. The House had accepted 51 projects. These projects would require food stamp recipients to work in public service jobs, if they were subject to the work registration requirement and were members of a household whose earned income was less than the value of its food stamp allotment. Participants would be paid at the Federal minimum wage with compensation in the form of food stamps, rather than in cash.

Both the House and Senate versions of the food stamp bill limited participation in the Food Stamp Program to those families with a net income at or below the income poverty guidelines of nonfarm residents, and they terminated the categorical eligibility of welfare recipients.

The House and Senate also agreed on a definition of income. But they disagreed over the amount of deduction to be allowed for excess-shelter expense. The Senate authorized a deduction whenever the monthly amount spent for shelter exceeded 50 percent of income after all other applicable deductions were made, but limited this deduction to $75 per month in the continental United States. The House had an identical deduction, but specified that it could be applied only to determine a family's monthly stamp allotment, not to compute eligibility. The Senate allowed its use for both purposes. The conferees agreed that recipients could deduct up to a total of $75 per month for excess shelter costs; they provided annual adjustments to the nearest $5 to reflect changes in shelter, utilities, and fuel components of housing costs in the Con-

[27]This amendment was originally introduced during House floor action on H.R. 7171 (*13*, p. H7660).

[28]During Senate floor action on S. 275, Senators McGovern, Dole, and Humphrey had offered an amendment to extend the Food Stamp Program for 5 years instead of the 2 years provided in the bill. McGovern had argued that a general welfare reform program probably would not be in operation before 1981, so the Congress would have to reconsider the Food Stamp Program in the next Congress. In rebuttal, Senator Talmadge noted that the administration had asked for a 2-year extension of the program because of anticipated welfare reforms (*21*, pp. S8390-S8395).

[29]Washington Post, August 5, 1977.

sumer Price Index (CPI); and they agreed that the deduction could be used to determine both household eligibility and benefits.

The maximum financial assets which a household could have and participate in the program was altered by the conferees. The Senate bill simply directed the Secretary of Agriculture to prescribe the types and amounts of financial resources which an eligible household might own. The House bill was more explicit in setting both allowable limits and in identifying resources to be included. A one-person household, eligible for program participation, was limited to financial resources of less than $1,500, whereas two-person households were limited to $2,250 in financial assets. As defined by the House, financial assets included boats, snowmobiles, airplanes used for recreation, and any licensed vehicle used for household transportation with a value exceeding $4,500. The conferees kept the House provisions but compromised on the level of the asset maximum by setting the allowable amount of financial resources at $1,750.

The major change in food stamp legislation was the elimination of the food stamp purchase requirement. This provision was not, however, an issue which created conflict for the conferees because the House, Senate, and administration had previously agreed on a solution. Both bills eliminated the purchase requirement and provided that the value of a household's food stamp allotment would be the normal allotment for a household of its size reduced by 30 percent of the household's income after allowable deductions.

Public Law 480

The International Relations and Agriculture Committees of the respective Houses of the Congress cooperated to bring about several changes in P.L. 480 that were designed to make the program more responsive to the needs of recipient countries and easier to administer.

The conference agreed to a compromise extending the program for 4 years. At the beginning of the conference, the Senate bill had extended the program for 5 years, while the House measure provided for a 2-year extension. A provision on Title I spending authority was tied to the House extension, and it provided that the new spending authority established for Title I would be effective for any fiscal year only to the extent, or in the amount, provided in the appropriation action. The Senate bill did not contain a comparable amendment, but the conferees agreed to accept the House provision.

The maximum level of Title II assistance was increased from $600 to $750 million for needy countries. Both Houses had identical Title II authorization levels, but the conferees adopted House language allowing only the carryover of unobligated funds from the preceding year rather than an indefinite carryover which the Senate measure would have allowed.

Other important changes were made in P.L. 480 but were agreed to before the conference. These included:

(1) Requiring that all food commodities financed under Title I be purchased on the basis of a public tender, publicly opened in the United States and consistent with open, competitive, and responsive bid systems;
(2) Prohibiting payments to selling agents in connection with food financed under Title I, unless the Secretary of Agriculture removed the requirement;
(3) Giving priority to financing sales of food and fiber under Title I;
(4) Requiring that commodities acquired by the CCC under domestic price support programs be valued at the export market price instead of the acquisition price at the time the commodity was made available under P.L. 480;
(5) Mandating revisions of Title I regulations to prohibit conflicts of interest between recipient countries and their agents, suppliers of commodities, and suppliers of ships, and to encourage the number of small businesses and cooperatives exporting P.L. 480 commodities; and
(6) Establishing the poverty criterion at $520 per capita GNP.

Payment Limitation

Both bills limited the amount of income subsidy that a person could receive from Government-operated commodity programs. The need for a limitation was not at issue in conference, but the level of the limit, the commodities to be included in the limit, and the definition of persons or firms eligible for payment differed between the House and Senate.

The House voted to increase the total amount of annual program payments a person could receive under the commodity programs for wheat, feed grains, and upland cotton from the 1974 through 1977 limit of $20,000 to $35,000 for the 1978 crop, with a 10-percent increase each year through 1981. This would have resulted in limits of $38,500, $42,350, and $46,585 for the 1979, 1980, and 1981 crops, respectively.

For rice, which had a payment limit of $55,000, the House voted a 5-percent reduction in the payment limit for each crop year beginning with the 1978 crop. The rice payment limit, however, could not be reduced below that in effect for wheat, feed grains, and cotton. In the House measure, the limit applied to the total payment from rice or one or more of the other crops, but it excluded payment for resource adjustment, public access, loans, and purchases. Payments received for disaster loss were included in the limit established by the House, but not by the Senate.[30]

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[30] As discussed on page 60, the House had excluded from the payment limit any increase in target price payments resulting from the lowering of the loan rate by the Secretary of Agriculture to enhance commodity competitiveness in export markets. This increase in target price payment was termed "emergency compensation" by the House. The Senate bill contained neither the loan rate reduction provision nor the payment limit exclusion. In conference, the Senate conferees agreed to the loan reduction measure and, consequently, to the payment limit exclusion.

In the Senate, a payment limit measure was approved which set a $50,000 limit per person for the 1978-82 crops of wheat, feed grains, upland cotton, and rice. The Senate bill also restricted Government payments to individuals and businesses engaged primarily in farming and expressed the intent that agricultural and agricultural-related programs should not be "administered in a manner that will place the family farm operation at an unfair economic disadvantage" (*22*). The Secretary of Agriculture was also required to provide the Congress with annual reports on family farm operations during the life of the act.

The conferees disagreed on prohibiting payments to nonfarm corporations and changed the Senate measure from an outright prohibition to a study assessing the impact of payment prohibition on participation in the wheat, feed grain, upland cotton, and rice programs as well as on the production of these commodities.

The conferees agreed to limit total payments to wheat, feed grain, and upland cotton program participants to $40,000 in 1978 and to $45,000 in 1979. For 1978, rice payments were reduced to $52,500. Rice payments would be further limited to $50,000 in 1979. Beginning in 1980, the compromise adopted by the conferees would limit total payments from the wheat, feed grain, upland cotton, and rice programs combined to $50,000.

House conferees agreed to the Senate provision exempting payments for either prevented planting or low-yield disaster loss from the payment limit beginning with the 1978 crop. The conferees also agreed to exclude payments for resource adjustment, except for land diversion payments, public access for recreation, and loans and purchases.

CONCLUDING REMARKS

On September 29, 1977, President Carter signed into law S. 275 as agreed to by the Senate and House of Representatives. This bill then became Public Law 95-113, the Food and Agriculture Act of 1977, thus culminating a legislative process which had begun more than a year earlier.

The act itself contains 19 different titles, each of which is designed to either suspend or continue suspension of selected program provisions from prior statutes, to revise or extend program provisions, or to add entirely new requirements and authorities. No attempt has been made here to identify the development of the individual titles contained in the act. The focus has been on major farm and food program enactments, a variety of alternative farm and food program or policy proposals, and the choices made at various stages in the development of the act.

Guidelines for administering food and agricultural policies appear in the act. Policy impacts will depend mainly on how the executive branch—chiefly the Secretary of Agriculture—administers authorities specified in the act.

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FOOD AND AGRICULTURAL POLICY: THE LEGACY OF THE PAST AND THE NEEDS OF THE FUTURE

By
Ronald L. Meekhof and Thomas A. Miller*

ABSTRACT

The Food and Agriculture Act of 1977 contains the authorization for farm commodity programs, domestic and foreign food aid, and agricultural and human nutrition research. This article discusses new policy guidelines and programs contained in the act and their relationship to those of prior legislation. The article also identifies research needs that may help resolve continuing policy conflicts.
KEYWORDS: Food and agricultural policy, policy tools, policy issues, research needs.

INTRODUCTION

The Food and Agriculture Act of 1977 is the most recent major legislative response to new conditions in U.S. agriculture. It provides the authority for several policy tools that can be used to respond to economic and social changes in the food and agricultural sector.

The purpose of this article is threefold:

- to examine the 1977 act in the context of the previous farm legislation to illustrate changes and their significance,
- to show how the measures provided in the 1977 act relate to major policy issues, and
- to identify research needed to help policymakers use the 1977 act effectively or to improve subsequent programs.

POLICY TOOLS IN THE 1977 ACT

Development of the Food and Agriculture Act of 1977 proceeded in an atmosphere of complex economic and political conditions. Although some provisions of the act represent new approaches, much of the legislation represents evolution from and adjustment of previous policy tools.

INCOME AND PRICE SUPPORTS

The 1977 act continues to emphasize a dual income support (target price) and price support (crop loan) system with income and price support as separate objectives. Income support is provided through deficiency payments (based on target prices) which vary inversely with market prices and allow for farm income support without adversely affecting market prices. Protection from extremely low commodity prices is provided through commodity loans. Loan programs also aid more orderly marketing of farm products. Separation of income supports from price supports allows agricultural markets to function as the basis for production decisions and prevents U.S. domestic agricultural programs from becoming an umbrella for world market prices.

The 1977 act establishes initial levels of income and price supports and provides a procedure for adjustment in subsequent years (*17*).[1] The target prices for wheat, feed

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[1] Italicized numbers in parentheses refer to items listed in the reference section at the end of this article.

grains, cotton, and rice first established in the 1973 act were adjusted annually based on changes in the Index of Prices Paid (PPI) for production items, interest, taxes, and wage rates. The PPI, an aggregate index, reflects costs for crop and livestock production in general. The 1977 act substitutes cost of production as a measure to adjust target prices, specifically based on changes in a moving 2-year average of variable, machinery ownership, and general farm overhead costs for each commodity.

The use of cost of production allows target price adjustments to reflect cost changes for each commodity and thereby maintain the relationship between target prices and input costs. The target prices for 1978 were established at levels sufficient to cover national average production costs, including variable, machinery ownership, general farm overhead, and management costs plus a return to land roughly equal to 4 percent of its current value.

The concept of price floor, provided by the nonrecourse loan, was continued for wheat, feed grains, soybeans, rice, and upland cotton. Minimum loan rates are specified. An important new feature is a provision which allows *downward adjustment* in loan rates for wheat, feed grains, and rice. This authority was included to prevent the loan rate from becoming higher than world prices, thereby helping to maintain competitiveness in world markets for these commodities. The Secretary of Agriculture may reduce loan rates if the price in any given marketing year does not exceed 105 percent of the loan rate.

The 1977 act replaces historical allotments with current plantings as a basis for distributing income support payments and for determining set-aside requirements. Acreage allotments were first introduced in the thirties as a means of increasing commodity prices by controlling production. Program compliance requirements and eligibility for benefits were based on these allotments for many years. Allotments and bases which remained in effect through 1977 were determined from cropping histories established in the fifties. Allotments determined in this manner encouraged producers to continue historical cropping patterns to maintain program eligibility or, under substitution rules, permitted payments to producers for crops they no longer produced.

Market prices were above price and income support levels during 1973-76. Producers' responses led to significant changes in geographical production patterns (*27*). It became widely recognized that support payments and production control requirements based on the outdated allotment system would be inequitable. The current plantings concept is designed to reduce inequities in the distribution of program payments and production adjustment requirements.

The current plantings provision will likely change the manner in which Government programs affect resource allocation. In the past, producers frequently faced situations in which it was more profitable to produce crops to maintain their program eligibility than to respond to market conditions. By reducing the influence of past production patterns on current program eligibility, the current plantings provision does increase producers' flexibility in responding to market conditions. But, the change in the 1977 act that bases deficiency payments on current plantings may now enable these payments to influence resource allocation. In the second section of this article, we provide a more complete evaluation of this change.

SET-ASIDE

Land reserve programs to achieve production adjustment have long been a feature of agricultural programs. These programs have the basic objective of withholding land from production and have included the soil bank, acreage reserve, conservation reserve, diversion programs, and the current set-aside program.

Set-aside as a substitute concept for diversion was introduced in the Agricultural Act of 1970. The general concept is that once a producer has met the set-aside requirement on his farm (devoting an acreage to conserving use rather than harvesting), he can allocate remaining land to crops of his choice. The set-aside concept was extended by the Agricultural and Consumer Protection Act of 1973. However, the authority was not used during the 1974-77 crop years (the years covered by the 1973 act) because of increased demand for U.S. farm products.

The 1977 act continues the set-aside authority. Two important modifications deal with (a) the procedure used in calculating the set-aside acreage requirement to determine eligibility for program benefits and (b) additional limitations on the use of the remaining cropland.

In the 1970 and 1973 acts, set-aside requirements were expressed in terms of a percentage of the historical acreage allotment. In the 1977 act, set-aside is based on a percentage of the current year's acreage planted for harvest. For example, with a 20-percent set-aside requirement for wheat, a producer who plants 100 acres of wheat must also set aside 20 acres. The historical wheat acreage allotment no longer applies.

The second major change authorizes the Secretary of Agriculture to require producers to reduce the acreage normally planted to crops by the acreage set aside to establish their eligibility for program benefits. Each farm has been assigned a "normal crop acreage," based on 1977 plantings and adjusted for abnormalities. The total of a participating producer's set-aside acreage and the acreage of designated crops planted for harvest cannot exceed this normal crop acreage. Previous legislation had assigned a normal conserving base acreage to each farm and had required that this normal conserving base acreage be maintained in conserving use in addition to the set-aside acreage. The change from the normal conserving base to the normal crop acreage had the objective of reducing slippage (*8*).

The 1977 act also authorizes the Secretary to make land diversion payments, whether or not a set-aside is in effect. New authority was granted the Secretary to determine diversion payment rates under this program by bids

submitted by producers for diversion contracts or through such other means as he determines appropriate. The land diversion program could be offered in addition to required set-aside acreage on participating farms.

GRAIN RESERVES

Grain reserve provisions of the 1977 act are designed to provide international and domestic food security and to moderate grain price fluctuations. Several new concepts are incorporated in the 1977 act in an attempt to delineate between a "managed grain reserve" based on specific operating rules and "surplus stocks," which had often resulted from previous price support programs.

The 1977 act requires the Secretary of Agriculture to administer a farmer-owned wheat reserve, authorizes a similar reserve for feed grains, and modifies the Commodity Credit Corporation (CCC) sales provisions so as to be consistent with the reserves. The farmer-owned grain reserve is based on extended loans of 3 to 5 years' duration, flexible incentives to encourage participation, release-price triggers at announced levels, and targeted reserve accumulations. The CCC resale price for Government-owned stocks was increased to levels consistent with the release prices of the farmer-owned reserves.[2] Attention to specific categories of reserves and guidelines for levels and release mechanisms represent a significant departure from previous legislation even though the basic nonrecourse loan program is continued.

A program to provide producers with loans for constructing onfarm storage facilities complements the farmer-owned grain reserve program. The act also includes a "sense of Congress" provision encouraging an international emergency reserve for humanitarian aid and for international food security.[3]

The current grain reserve program is an effort to avoid a buildup of Government-owned stocks. In establishing an explicit national reserve program for the first time, the Congress targeted reserves to a broad range of uses including the moderation of grain price fluctuations, and domestic and international food security.

The figure illustrates how major grain reserve and price support provisions of the 1977 act are linked to meet these objectives. Points (1) and (2) roughly define a corridor within which market prices are maintained through accumulations and releases of farmer-owned reserves. At the lower price boundary, producers can withhold grain from the market by utilizing the nonrecourse loan program. If prices remain depressed, producers can place their commodities in the farmer-owned reserve program where they remain under loan and under producer control until either the market price reaches reserve release price triggers (2) and (3) or the reserve contract expires. Loans may be redeemed and reserve grain may be sold by farmers when the market price reaches the release price trigger.

Use of managed reserves as a major policy tool in a grains policy implies significant changes for the food and agricultural sector. Less reliance is placed on market forces to ensure that socially optimal levels of reserves are held by the private sector.[4] The operation of the reserve program reflects a policy in which the market is allowed to operate within established boundaries. The reserve programs provide new insurance against severe and disruptive extremes in grain prices.

DISASTER PROTECTION

Provisions of the disaster payment program initiated in the 1973 act were extended for 2 years through the 1979 crops. Problems and potentials for abuse had been encountered during administration of the 1973 disaster payment program. The 1977 act adjusted several provisions to correct the most flagrant problems and abuses. The 2-year extension was intended to allow time to develop and legislate an alternative disaster and risk protection program.[5]

The changes in the disaster payment program reduced inequities in program coverage and payments,[6] increased protection to those experiencing severe losses, and increased coverage by replacing allotments with current plantings as the payment base.

Continuation of this disaster payment program along with the Congress' expressed intent of developing an alternative all-crop all-risk insurance program for 1980 indicates continuing public interest in providing a means to shift a portion of the risk associated with agricultural production from producers to society. Variability in farm

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[2] More complete discussions of the grain reserve program provisions appear in the second and third articles of this publication.

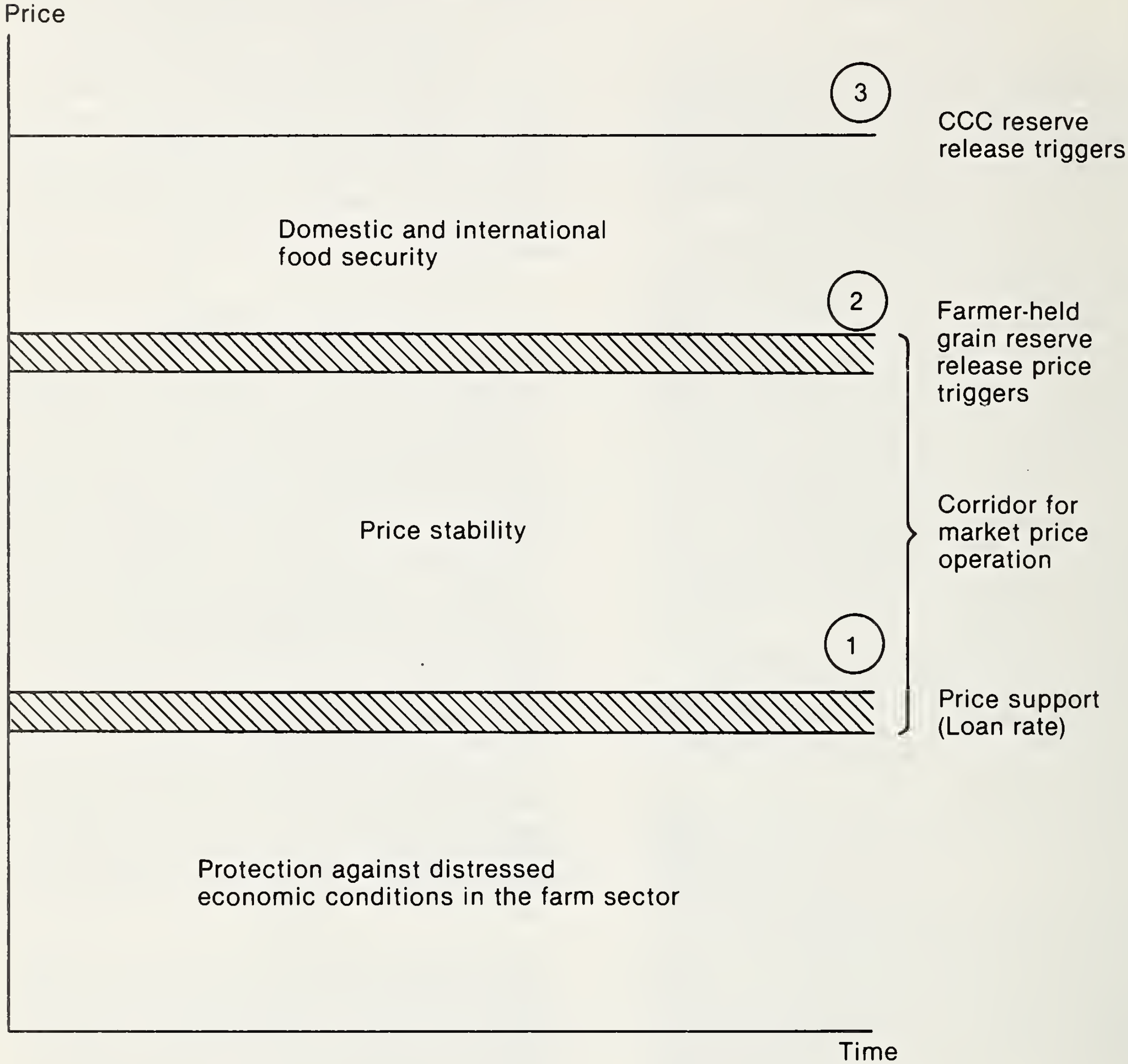
[3] Provisions for an International Emergency Wheat Reserve were originally included but had to be deleted in the conference committee because of jurisdictional questions. The administration's legislative proposal authorizing such a reserve was not acted on by the 95th Congress.

[4] The difference in the level of stocks held by the private sector and the socially optimal level is a result of differences in the risk of holding stocks and the ability of private stock owners to capture benefits from price moderation. Privately held stocks are often less than socially optimal because the risk faced by the private holder is greater than that by society; hence, the private cost for a given level of stocks exceeds that for society as a whole.

[5] In 1978, the administration proposed a greatly revised disaster protection program that would provide all-crop all-risk insurance protection to producers through joint support by producers and the Federal Government. The House and Senate Agriculture Committees did not act on this proposal during the 95th legislative session.

[6] See (*20*) for a comprehensive discussion of inequities contained in the hastily prepared 1973 disaster payment program and policy options for disaster protection.

Model of grain reserve and marketing provisions of the Food and Agriculture Act of 1977



Source: Penn, J. B. and William T. Boehm. "Research Issues Reemphasized by 1977 Food Policy Legislation." *Agricultural Economics Research*, Vol. 30, No. 1, January 1978, pp. 1-14.

income due to natural risks, increased reliance on purchased inputs, and structural changes in the agricultural production sector provided the rationale for Government disaster assistance to farmers. However, serious questions remain concerning the appropriate level of risk protection, the most appropriate means for providing it, and the costs to society of assuming a larger portion of these risks (*20*).

FOOD STAMPS

The Food Stamp Program (FSP) began in 1961 as a pilot project to help low-income households buy more food, thus increasing the market for agricultural products. Three years later, the Food Stamp Act of 1964 made the FSP permanent and available to any county wishing to participate. In 1971, legislative amendments established uniform national eligibility standards and, in 1973, the FSP was mandated to operate in every county in the Nation, replacing distribution of commodities to needy families. By this time, the emphasis of the program had shifted from agricultural subsidies to indirect income assistance for needy households.

In 1961, when the Food Stamp Program (FSP) was initiated as a pilot program, the average monthly participation was about 50,000 individuals. The total value of coupons issued annually was less than $1.0 million. A decade later, the Federal subsidy alone was $1.5 billion, average monthly participation was 9.3 million individuals, and the total value of stamps issued annually was $2.7 billion. By 1976, average monthly participation exceeded 18.5 million individuals, and the total value of coupons issued annually reached $8.7 billion.

As the FSP expanded, questions arose about its efficiency: Was the program reaching those most in need? Was it adequately safeguarded against abuse? How could it be simplified and errors be reduced? What was the relationship of the FSP to other assistance programs?

The Food Stamp Act of 1977 was enacted to address these issues.[7] It substantially tightened eligibility standards by lowering net income limits to the Office of Management and Budget (OMB) poverty level and by imposing a strict assets test on "luxury" cars. It replaced eight, open-ended deductions with four standardized deductions to simplify administration, to reduce errors, and to prevent higher income households from claiming large deductions that would bring their incomes below the eligibility limits. The act also ended categorical eligibility for public assistance and Supplemental Security Income (SSI) households, tightened work requirements for students, disqualified for 2 months households whose primary wage earners voluntarily quit their jobs without good cause, disqualified for up to 1 year households transferring assets in order to qualify for food stamps, and imposed much stricter penalties for fraud.[8]

While tightening program rules and reducing the number of persons eligible by several million, the act also contained provisions to facilitate the participation of those persons who remained eligible. Chief among these was elimination of the requirement that households must purchase part of their food stamp allotment to get their bonus stamps. This requirement was widely believed to have kept out of the FSP those very needy households who could not come up with the necessary cash payment. Issuing bonus stamps only, at no cost to households, was expected to add several million persons to the FSP, while reducing the number of food stamps in circulation and ending cash abuse by food stamp vendors.

Overall, the 1977 act's twin goals of redirecting benefits to the neediest households while improving services to them were intended to make the FSP more responsive to general welfare objectives.

FOOD AND AGRICULTURAL RESEARCH

The funding and organization of agricultural research is one of the principal means of influencing the longrun direction of the food and agricultural sector. Under legislative authority provided by the Hatch Act of 1887, the Smith-Lever Act of 1914, and the Morrill Acts of 1862 and 1890, a wide variety of research is conducted in resource conservation, consumer health and nutrition, community services, rural development, and marketing and production efficiency. Marketing and production research traditionally receives a major portion of Federal expenditures and is credited for steady increases in productivity.

Criticism of major food and agricultural research institutions and the allocation of funds for agricultural research has increased in the last decade. Hightower's criticism that tax-supported research favored large corporate agribusiness interests at the expense of people-oriented research is well-known (*12*). In contrast to this view, a report by the Agricultural Research Policy Advisory Committee concluded that measures to organize marketing and production resources should be ranked high on the research agenda (*1*). These examples illustrate the divergent opinions about the organization and funding of agricultural research that existed during development of the 1977 act.

[7] Most of the legislative debate on food stamp reform has already been discussed in the preceding articles of this publication. The National Food Stamp Act of 1976 (S. 3136) was passed in the Senate, and the Food Stamp Act of 1976 (H.R. 13613) was reported by the House Committee but not brought forward for floor action. The 1977 act completed many of the reforms initiated by those earlier actions.

[8] A detailed description of changes in the food assistance programs appears in (*24*) and (*32*).

The conference committee concluded, in the report accompanying the 1977 act (*35*), that research conducted by agencies receiving Federal support is neither coordinated nor efficiently transferred throughout society and that funding levels are not commensurate with changing food and agricultural needs. The committee reported that research is needed on energy alternatives and conservation, food consumption patterns, human nutrition, resource management, environmental problems, and family farms.

Title XIV of the 1977 act authorizes several new measures and advisory committees. The Secretary of Agriculture is directed to establish procedures for coordinating nutrition research in areas of mutual interest with the Department of Health, Education, and Welfare (HEW). The Federal Subcommittee on Food and Renewable Resources and the Joint Council on Food and Agricultural Sciences are given responsibility for reviewing and coordinating Federal research programs and for recommending policies for further consideration. The Secretary is authorized to establish a program of competitive grants for agricultural research. The Secretary is also directed to establish food and human nutrition as a separate and distinct mission of USDA and a nutrition education program for disseminating results of food and human nutrition research performed or funded by USDA.

It is difficult to evaluate whether these changes will lead to either shifts in the funding and organization of agricultural research or increased responsiveness to a broader range of interests. Final funding levels, which indicate changes in program emphasis, are determined by the appropriation committees and are not set by the authorization programs in the Food and Agriculture Act of 1977. In general, the emphasis of 1977 legislation remains on factors affecting the food supply.

FOREIGN FOOD ASSISTANCE

The basic objectives of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480) were to provide a mechanism for disposal of surplus farm commodities, to expand export markets, and to aid foreign countries in combating hunger and malnutrition. Over time, the emphasis on the use of P.L. 480 funds has shifted to facilitating long-term agricultural and economic development goals abroad, developing commercial export markets, meeting humanitarian needs, and using food aid as a foreign policy instrument (*36*).

Until 1977, P.L. 480 shipments were made either as concessional sales under Title I or as donations and disaster relief under Title II. Title I assistance provides terms of sale through the CCC that are more favorable than those available to the commercial buyer. Under Title II, assistance is channeled through nonprofit voluntary relief agencies and governments operating under bilateral agreements with the United States. Title III was introduced into the International Development and Food Assistance Act of 1977 and provides assistance through the Food for Development and Barter Program.[9] Title III is designed to coordinate assistance provided by Title I with domestic assistance provided by developing countries. Under this program, recipient countries may resell P.L. 480 commodities and use the funds for internal programs of agricultural and rural development, health services, nutrition, and assistance to small farmers. Usual repayment obligations are waived.

Previous legislation required that (a) at least 75 percent of Title I sales would go to countries with a per capita gross national product (GNP) of less than $300 or to those faced with severe constraints in meeting immediate food needs and (b) a minimum level of 1.3 million metric tons (mmt) of food assistance would be distributed annually under Title II. The 1977 legislation changes the income eligibility requirement to the poverty level criterion used by the World Bank ($550 per capita GNP) with adjustments for inflation. It also provides waiver of the 75-percent requirement on Title I sales if this allocation of concessional sales does not meet humanitarian and development goals in countries with higher per capita GNP levels. Furthermore, minimum tonnage of Title II assistance is raised to 1.6 mmt in 1978 with higher minimum levels established for subsequent years. The program is also extended for 4 years to facilitate longer term planning by recipient countries.

The revisions contained in the 1977 legislation continue reliance on P.L. 480 as the primary means of meeting commitments to international food aid and development objectives by assuring *access* to food supplies. The significance of these changes will depend on the success of other programs included in the Food and Agricultural Act of 1977, the impact of the Multilateral Trade Negotiations, and future administration emphasis on food aid objectives. The general trade environment, reserve stocks, production capacity, and political objectives will be more important in determining the future impact of P.L. 480 than the specific changes contained in the 1977 legislation.

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[9] Due to jurisdictional differences between the House and Senate Agriculture Committees, the actual revisions in P.L. 480 programs are contained in the International Development and Food Assistance Act of 1977, which is the authorizing legislation. The International Relations and Agriculture Committees of both Houses cooperated to formulate revisions. Differences were resolved by conference committee.

THE 1977 ACT AS A RESPONSE TO POLICY ISSUES

We have described the major changes in policy tools incorporated in the 1977 act. We now examine how these policy tools address the current major issues of U.S. agricultural and food policy—the level of price and income support, extreme price fluctuations, formation of an integrated national food policy, and the structure of agriculture.

THE LEVEL OF PRICE AND INCOME SUPPORT

Price and income supports have been an important feature of U.S. agricultural policy for several decades. Basic supply and demand conditions in the agricultural sector, which result in excess production capacity and a persistent downward pressure on prices and incomes, are generally cited as the basis for public support of agriculture (*3*). This situation was temporarily reversed in 1973 when expanding world demand pulled U.S. market prices above legislated target price levels for major grain crops. However, since 1976, the agricultural sector has returned to an excess supply and depressed price situation and a renewed need for income support. Although it is impossible to predict how long this need will continue, income support continues to be one of the most important issues of agricultural policy.

It is clear that in 1973 a major change occurred in the world market for U.S. agricultural products. This change in export markets increased the variability of world grain prices—price variability which has been transmitted to the U.S. producer and consumer and which is expected to continue (*15*). Commodity programs, which at one time emphasized price supports, now moderate extreme price changes and stabilize farm income. The objective of income stabilization is accomplished through the use of target prices which provide a basis for deficiency payments to producers with the level of payment varying inversely with market prices. These deficiency payments provide income supplement to producers and moderate the income effects of short-term price fluctuations.

One of the major issues that emerged during the debate on the 1977 act was the *level* of target prices and, therefore, the potential cost to the taxpayer of deficiency payments to farmers. This issue occupied the center stage during the committee proceedings in both the House and the Senate, and during a key part of the floor debate; it was not resolved until the House-Senate conference.

The debate involved a number of questions. Foremost was identifying a standard to be used in determining the level of income support and a method of subsequent adjustments. Recognized deficiencies in the parity concept shifted attention to cost of production as a basis for determining support levels (*13, 29*). However, the issues which arose in using cost of production as an appropriate standard included: (a) the possibility of inducing a builtin cost-income support spiral if land returns were included in the adjustment formulas, (b) the use of average costs for setting supports even though substantial differences in costs exist among farms (*5*), and (c) the determination of appropriate cost components used in setting the level of supports and in adjusting those supports over time.

Income Support in the 1977 Act

The levels for 1978 target prices which were determined by compromise in the House-Senate conference committee provided a return to land roughly equal to 4 percent of its current value. However, soon after the signing of the 1977 act, activities of the American Agriculture Movement renewed the debate. In May 1978, the Congress gave the Secretary of Agriculture added authority to increase the target prices specified by the 1977 act whenever set-aside programs were in effect.

The conferees also agreed to a formula for adjusting target prices based on changes in variable, machinery ownership, and general farm overhead costs. Land costs were omitted from the adjustment formula to prevent a land price-support level spiral.

Current plantings were selected as the basis for distributing income support payments under the 1977 act. Basing benefits on current plantings raises a new set of issues concerning the impact of deficiency payments on production decisions, as a producer can now affect the amount of deficiency payments by changing the acreage of crops planted.

Research Implications

Research is needed to identify factors which should be considered in determining the level of income and price supports. The role of production costs in this process and the implications of using cost-of-production data to determine the level of income support should receive critical attention. As cost of production has not previously been used directly to establish income support levels, many theoretical and practical questions arise. Research should focus on identifying the best measures of economic well-being, the consequences of alternative procedures for relating cost of production and income supports, and the role of land returns and management charges in determining income support levels.

To date, only national average cost-of-production estimates for each crop have been considered for setting income and price supports. This procedure ignores the wide divergence of costs among producers for a specific crop. Research is needed to evaluate impacts of using a national average cost in comparison with alternative methods for setting target prices.

Questions persist about the impact of moving from an income support program based on historical allotments to one using current plantings. The producer had little control over the size of his payment in the short run under the previous base and allotment system. This change in the 1977 act, which makes the target price a planning

price for producers, may have both income distribution and production response impacts that could be much different from those of previous programs.[10] Research identifying the implications of these differences is needed.

Commodity loan rates serve four functions: price support to producers, short-term operating capital, a basis for grain reserve price triggers, and a factor influencing the level of Government expenditures for deficiency payments. These functions are usually debated from different viewpoints. Research is needed to identify the conflicts and tradeoffs between these functions—for example, reserve management, price support, and short-term capital needs.

MODERATING PRICE VARIABILITY

Events of the early seventies set off price fluctuations which have continued. Price changes provide a signal to producers and consumers that adjustments are needed in their production and consumption patterns. Economists have recognized that extreme price fluctuations can be disruptive and lead to social wasteful adjustments. Concern about price variability increased with a recognition that the effects of worldwide grain supply shocks tended to concentrate in the U.S. grain market. Commodity markets which are unresponsive to changes in world prices and policy changes in countries purchasing a significant share of U.S. exports have increased U.S. grain price variability in this decade (15).

Prior to the early seventies, U.S. commodity price support programs stabilized domestic and world grain prices by maintaining grain prices above market clearing levels. Stocks accumulated in the United States under these programs—stocks which provided a buffer against temporary shortages. U.S. grain policy during most of this period was characterized by nonrecourse loans which stabilized prices and maintained farm income, production control programs which paid or required producers to divert land from crop production, and surpluses disposed of through P.L. 480. When world weather and policy conditions led to a closer balance between production and utilization, these measures did not provide sufficient stocks to moderate U.S. grain price variability.

Export embargoes were first used as an emergency defense against price increases, but the consequences were viewed as unacceptable. When the Food and Agricultural Act of 1977 was debated, consumers were demanding a more effective Government method of lessening extreme price fluctuations.

The 1977 Act and Price Moderation

Although a grain reserve can provide consumers with a defense against shortages and resulting price increases, the price depressing effects of surplus stocks accumulated under previous price support programs made Government-owned grain reserves unacceptable to farmers. The compromise included in the 1977 act to meet consumer demands for a reserve and to overcome farmer objections to Government stocks was Government administration of a farmer-owned grain reserve.

The 1977 act focuses on the management of domestic production and reserves. The farmer-owned grain reserve program, through reserve accumulations and releases, provides a managed reserve that is designed to maintain market prices within a price corridor. Production adjustment—through set-asides, diversions, and direct acreage control—can be used when necessary to prevent an excessive buildup of grain stocks and to maintain a balance among production, reserve accumulations, changes in demand, and Government expenditures.

The grain reserve's effectiveness in preventing extreme price increases will depend on producers' willingness to sell the grain after the release price triggers are reached. Producers may want to continue holding the reserve if they expect prices to go even higher. If the CCC owned enough grain to keep price expectations from exceeding the CCC sale price, the Government could encourage the orderly sale of the farmer-owned grain reserve when the market price is above the release price. Without such a CCC inventory, the behavior of producers after the release price trigger is reached will depend on their price expectations at that time. These expectations are difficult to forecast.

Research Implications

The grain reserve program's ability to moderate price fluctuations will be determined primarily by the size of the reserve and the relationship of longrun equilibrium prices of commodities to reserve accumulation and release price triggers. Unintended production response to reserve accumulations, excessive levels of Government and farmer-owned reserves, and failure to achieve price moderation objectives are some of the possible effects of incorrectly specifying these policy variables. For effective program management, information is needed on the reserve levels required to moderate prices.

Many questions involve behavior of producers when the market price reaches the release trigger price. Producers will want to hold grain as long as they expect prices to go higher. If producers do not sell their grain at this point, prices may continue upward; alternatively, panic sales at this point could cause prices to plunge. Of course, the size of CCC-owned stocks and their sale price will also be important factors influencing marketing decisions. Research is needed to project producer decisions under these circumstances and to design a reserve procedure that effectively moderates price changes.

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[10] In addition to historical allotments and current plantings, there are other bases for income support. The previous year's acreage or some moving-average concept might provide a better balance among equity, production, and other program objectives.

Reserve programs cannot be specified correctly unless their effect on speculative behavior is understood. Grain stocks are held by three different parties—the Government, producers under the farmer-owned reserve program, and private-commercial stockholders. A large farmer-owned reserve stock and an established market price corridor may change the price expectations of private-commercial stockholders and thereby their willingness to hold stocks. Research is needed on the impacts of the farmer-owned reserve program on the speculative behavior of nonfarm stockholders.

What the U.S. grain reserve program can accomplish depends largely on the extent of international cooperation. The most frequently mentioned form of cooperation is an internationally managed grain reserve. However, little analysis exists on the interaction between domestic and international reserve systems.

AN INTEGRATED NATIONAL FOOD POLICY[11]

Over the past 5 or 6 years, several issues have emerged which typify the nature of the national food policy debate:

- Early discussions in formulating food policy indicated that USDA should seek the input of a broader constituency. Although commercial farmers and agribusiness have had the greatest interest in farm programs, consumers also need to be involved in program development and the decisionmaking process.
- Although consumer interest in adequate and stable food supplies has grown, concern about developments in food processing and distribution and about the nutritional value of food has arisen. In part, this concern involves chemicals used in food production and processing and their effects on health. However, it also relates to possible links between agricultural production, diet, and chronic illness.
- Controversy exists between those who believe that market prices organize agricultural production efficiently and those who believe that production must be planned by the Government. Those who believe in the market see no need for Government intervention. Others believe that market prices may not reflect nutritional goals adequately and thus not stimulate needed changes in production.
- Food security, food power, and food as a human right are terms used to convey the importance of food in the world economic and political situation. Given long-term world food projections and the need for food self-sufficiency, the importance of food in foreign policy lends a new urgency to the formulation of a national food policy.

Speaking at the 1977 Food and Outlook Conference, USDA's Assistant Secretary of Food and Consumer Services Carol Tucker Foreman proposed a six-point food policy (*9*):

(1) We must determine people's nutritional needs and the levels and types of production necessary to meet those needs.
(2) U.S. food policy must determine the U.S. role in meeting international needs for food, as well as the means to be used. How much will be done through trade or through assistance? How much domestic production will be necessary to enable us to meet those needs?
(3) The policy must consider measures to stimulate and sustain that level of production.
(4) The policy must assure that food is available at a reasonable cost.
(5) The policy must assure that the food supply is safe and of high quality.
(6) The policy must devise programs to assist those who cannot afford adequate food at market prices.

The order of these points is significant. Establishing a national nutrition policy and determinating the U.S. role in meeting international food needs would form the basis for U.S. food policy. To implement that policy, commodity programs would be used to meet a broader range of objectives.

Components of an Integrated National Food Policy in the 1977 Act

Does the 1977 act represent a set toward a national food policy which responds to this broad spectrum of issues? Certain parts of the legislation suggest progress has been made: reserve programs moderating price changes and thereby preventing excessive increases in food costs, nutrition research, revised income support and disaster protection programs for producers, improved access to domestic food assistance programs, and revisions in food assistance programs for developing countries. The priority given to objectives of these individual programs and the extent to which decisions relating to each program are coordinated will affect the manner in which the food policy debate is resolved.

As an example, the 1977 act includes provisions for nutrition research and improved access to domestic food assistance. Increased emphasis on these objectives, which relate to an integrated national food policy, may affect what is produced. The emphasis on nutritional goals may require changes in the types of commodities produced at

[11] The term "food policy" is widely used but has no commonly accepted or precise meaning. Many writers distinguish between food policy and commodity policy, which implies a distinction between policies for consumers and policies for farmers. The term "food policy" will be used here to refer to policies affecting the food sector, producers, processors, distributors, and consumers, not just to those programs involving current domestic food assistance and nutrition programs.

the farm level and thus change the emphasis of Government programs for producers, marketing promotion, regulation, and research. Secretary of Agriculture Bergland addressed this issue when he stated:

> We think the country must develop a policy around human nutrition around which we build a food policy for this country and as much of the world as is interested. And, in that framework we have to fashion a more rational farm policy. We've been going at it from the wrong end in the past (*9*).

Research Implications

To address these broad food policy issues, joint research is needed on administration of programs to meet broader policy goals. Research on the organization of nutrition education, food assistance, and commodity programs to meet alternative nutrition objectives exemplify what is needed. Other areas needing emphasis follow:

(1) An expanded emphasis on nutrition, food safety and quality regulations, and changes in food assistance programs has led to consumer-oriented programs that influence the marketing sector and the producers. Research is needed on the effectiveness with which food and nutrition needs are transmitted to the farm sector. An extension of this problem involves the eventual impact of changing nutritional needs on the economic well-being of producers.

(2) Wholesale and retail competition, advertising, and industry coordination affect food prices. Despite the interdependence of antitrust, regulatory, and legislative actions with broad food policy objectives, little is known about their impact on achieving food policy objectives.

(3) The international dimensions of a national food policy become more evident with the U.S. commitment to provide long-term food security. Current negotiations on international grain reserves and trade liberalization, plus unilateral measures providing food security to noncommercial buyers, such as P.L. 480, export credit, and emergency reserves, all affect international food security. A broad range of agricultural trade questions need to be investigated within the context of any U.S. food policy.

STRUCTURE OF THE AGRICULTURAL SECTOR

A continuing decline in the number of U.S. farms and in the farm population, a growing number of large-scale and corporate farms, increasing financial risks and barriers to entry into farming, and changes in the ownership structure of farmland signify structural change in U.S. agriculture. Congressional attention to these changes, as well as producer and consumer attitudes, indicate that the structure of the U.S. farm sector is an important public policy issue.

The causes and consequences of these structural changes are poorly understood. Government income and price support programs, tax policies, new technologies, changes in factor prices and asset values, market instability, and dynamics implied by the farm cost/size relationship have combined to bring about structural change.

A question frequently confronting policymakers and analysts is how Government commodity programs change U.S. agricultural structure. Bonnen found that direct payments from commodity programs are more highly concentrated among large farms than is farm income (*4*). Using data from the midsixties, he concluded that, under almost every program, the top 20 percent of the largest farms received more than 50 percent of the program payments. Other economists have hypothesized specific mechanisms by which Government policies, led by price and income support programs, have contributed to a growth in farm size and a decline in the number of farms (*24, 25*).

USDA studies of production costs have reported a wide distribution of costs among producers and farms. However, little is known about the identity of high-cost and low-cost producers. Thus, national agricultural policies, which treat all farms alike, provide a windfall subsidy to farms producing below the average cost of production and simultaneously fail to meet the income needs of many farms.

Structural Issues Addressed by the 1977 Act

Title I deals with the family farm issue. Although the Congress does not clearly define this target group, it "reaffirms the historical policy of the United States to foster and encourage the family farm system of agriculture in this country." It reaffirms its belief that "any significant expansion of nonfamily owned large-scale corporate farming enterprises will be detrimental to the national welfare." It also maintains that "it is the policy and express intent of Congress that no such program (agricultural and agriculture related) be administered in a manner that will place the family farm operation at an unfair economic disadvantage" (*34*).

Title I instructs the Secretary of Agriculture to report annually on trends in family and nonfamily farm operations. The report is to include:

(a) information on how existing agricultural and agriculture-related programs can be administered to enhance and strengthen the family farm system of agriculture in the United States,

(b) an assessment of how Federal laws may encourage the growth of nonfamily farm operations, and

(c) such other information as the Secretary deems appropriate or determines could aid Congress in protecting, preserving, and strengthening the family farm system of agriculture in the United States (*34*).

These instructions must be examined in the framework of the legislation; namely, that, except for the $50,000 payment limitation provision, the major price and income support provisions of the 1977 act are mute on any structural issues. Target prices are related to *national average* costs of production. These provisions do not differentiate between family farms and corporate farms, sizes of farms, or the financial well-being of different farms. Penn and Boehm conclude that price and income supports which treat all producers of a specific crop as an amorphous group fail to transfer income support effectively to those most in need (*24*).

The windfall gains to landownership possible with undifferentiated payments assure a rate of return to investment in agricultural land beyond that due to agricultural production. Farms continue to expand in size as farmers increase landholdings to capture expected benefits of future commodity program payments and land value increases. These factors led Raup to conclude that "it is virtually certain that family-type farms have more to gain from a downward adjustment in land values than from an upward adjustment in commodity prices" (*25*). Thus, the price and income supports mandated by the 1977 act may conflict directly with the "family farm" oriented policy actually intended by framers of the legislation.

Research Implications

Both producer and consumer groups have expressed alarm over what may be an inconsistency between price and income support programs and changes in agriculture's economic structure. How the 1977 act will actually affect the family farm system is difficult to assess because many forces are interacting—cumulative impacts of previous programs, internal sources of change, and closer linking of the farm and nonfarm economy. Several areas deserve research attention.

Research is needed to determine the impacts of the 1977 act on the structure and organization of U.S. agriculture, including impacts on farms by type, size, and form of business organization. The implications of the payment limitation provisions of the 1977 act would be a part of this research. Attention should be given to both the impacts of individual policy tools and to the combined effect of all comprehensive commodity programs established by the act. This research would provide the basis for preparing the reports requested in Title I of the act and would answer other questions concerning the relationship of current agricultural policy to structural change.

One modification of the 1977 act that has been proposed deserves research attention—that is, "scaling" income supports. Theoretically, at least, adjusting target prices by farm size would partially mitigate the current economies of size in agriculture. Such an income support program could have a much different impact on the structure of agriculture than that specified in the 1977 act. This proposal should be researched in detail to determine the structural goals it might serve or the undesirable side effects it might have on economic efficiency or on the overall financial situation in the agricultural sector.

If a "family farm" structure of agriculture is an important policy objective, an explicit *structural policy* may be appropriate. Research should begin on programs and policy alternatives that are oriented toward achieving specific structural objectives. Such programs would address structural issues directly, rather than indirectly through general commodity programs. Research is needed to identify how alternative program and policy options could be used to modify current trends, such as the decreasing number and increasing size of farms and the concentration of resource ownership. For example, specific tax credit and land use programs may be able to alleviate the problems of rapidly escalating land prices and growing capital requirements for family farmers to enter agriculture.

Research is needed to assess the effectiveness of alternative policies and programs to improve the economic viability of small farms and the families operating these farms. The relationship of the 1977 act to this sector is poorly understood.

CONCLUSIONS

Some provisions contained in the 1977 act represent new approaches to food and agricultural problems, whereas others are adjustments to previous legislation. The farmer-owned grain reserve acts to provide a corridor for market prices and thereby may reduce the likelihood of both extremely low and high prices. Domestic and foreign food assistance programs were modified to provide new roles for these components of food and agricultural legislation. Changes were made to reorganize and shift the emphasis of agricultural research.

The level of income support to producers, price variability, the development of an integrated national food policy, and structural change in the agricultural production sector are major underlying policy issues that continue to confront decisionmakers. Advances in resolving these issues will form the basis of the next round of legislation due in 1981. Yet, as was found in the process of developing the programs of the 1977 act, the need for information is great. Further research that reflects new and broader agricultural policy issues, an expanded participation in the food policy debate, and an increased number of policy objectives is needed.

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